

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 8672
118 SCOMM 9: HOUSE SPEC. COMM. ON PERMANENT FUND 1977-78

Table 5. Permanent Fund Principal and Earnings
1976-1990

Fiscal Year	Petroleum Revenues Subject to Permanent Fund* (millions)	25% Contribution to Permanent Fund (millions)	Permanent Fund Balance (millions)	Permanent Fund Earnings at 8% (millions)
1976	\$ 41.6	\$ 10.4	\$ 10.4	\$.832
1977	38.8	9.7	20.1	1.608
1978	448.2	112.1	132.2	10.576
1979	568.2	142.1	274.3	21.944
1980	780.0	195.0	469.3	37.544
1981	881.4	220.4	689.7	55.176
1982	1,001.0	250.3	940.0	75.200
1983	1,172.0	293.0	1,233.0	98.640
1984	1,269.5	317.4	1,550.4	124.032
1985	1,334.3	333.6	1,884.0	150.720
1986	1,397.8	349.5	2,233.5	178.680
1987	1,447.6	361.9	2,595.4	207.632
1988	1,430.7	357.7	2,953.1	236.248
1989	1,336.7	334.2	3,287.3	262.984
1990	1,294.4	323.6	3,610.9	288.872

*Bonuses, royalties, and federal shared revenues from Cook Inlet and Prudhoe Bay only. Thus, severance tax income is not included, nor are any potential revenues from additional state oil and gas leasing.

Sources: Department of Revenue data, July 1976, for FY 1976 through FY 1985. ISER extrapolations for FY 1986 through FY 1990.

Table 7. Alaska Land Status After State Selections

	<u>Millions of Acres</u>	
	<u>Amount</u>	<u>Percent</u>
Total Area	375.3	100.0%
Federal Reserves	226.1	60.2
Native and Other Private	44.7	11.9
State Lands Selected	104.5	27.8

STATE OF ALASKA

MEMORANDUM

TO: Commissioners
Governor's Office Staff

DATE: August 10, 1977

FROM: Fran Ulmer *Fran* Director
Policy Development and Planning
Office of the Governor

SUBJECT: Public Forum Questions

Attached is a first draft of the Public Forum's presentation of the Permanent Fund: a background paper explaining the Fund and the questions which could be presented by the Forum.

On Monday, August 15 at 3:00 p.m., the Permanent Fund Public Participation Working Group will meet to discuss proposed changes in the issue paper and questions. Your participation by attendance or written comment would be appreciated.

Thank you.

FAU/ljs

Attachment

I. INTRODUCTION

The intent of this background paper is to further inform Forum participants about the Alaska Permanent Fund - how it evolved, present management, possible future roles, and investment and management options for its principal and earnings. This paper also describes in greater detail the main issues to be resolved for drafting the legislation to implement the constitutional amendment. These issues form the basis for the questions which are being asked in this year's Forum.

An overwhelming majority of Alaska voters approved an amendment to the State constitution last November which provides that at least 25 percent of certain State non-renewable resource revenues be placed in a permanent fund. The amendment requires that the fund's "principal shall be used only for those income-producing investments" the Legislature designates as eligible for Permanent Fund money. The amendment also provides that income from the investments will go into the State's General Fund (where all other revenues and taxes are deposited) unless the Legislature designates that income for other purposes.

In 1978 the Tenth Alaska Legislature will consider several different proposals for management and organization of the Fund and use of the Fund's earnings. A great deal of work has already been accomplished

by the Administration and the Legislature in developing background information for these proposals. The Administration, through the Department of Revenue, has already consolidated their efforts into a "discussion bill," HB 298, described later in this paper. Research and analysis continues as policy makers prepare for the debate which will take place during the 1978 session.

The Public Forum will play a large role in this debate. In addition to research on technical questions, policy makers also seek information on how the public views the issues pertaining to the Permanent Fund. They must find out where the public wants to go before they can devise institutions and policies which get us there. Thus the Public Forum will be used as a major vehicle to uncover public opinion, and people's ideas, on how to make the Permanent Fund work toward our common visions for Alaska.

II. THE PUBLIC FORUM

Before we explore the details of the Permanent Fund, some information about the Public Forum and last year's results will help put this year's questions and discussion into perspective. Who participated in the Public Forum last year? What did they have to say about our oil wealth, and the Permanent Fund?

To paint a visual image of the 3,714 Alaskans from Metlakatla to

Barrow who addressed the current issues facing their State through the Public Forum workshops or questionnaire would be nearly impossible.

They were as diverse as the spectrum. The youngest was 13 years old. The oldest was 94. They were whalers, doctors, teachers, school children, government workers, homesteaders, bookkeepers, fishermen, and waitresses. The responses were weighted most heavily in the professional-technical category. And twice as many men as women participated.

Length of residency seemed a strong indicator of commitment to the State and its future. Nearly two-thirds of the Public Forum participants have been residents of the State for ten years or more. And at least a third have lived in Alaska for over 20 years. Overwhelmingly, it was this segment of the population who chose to speak, and desired to be heard by the men and women who have some influence in the decision-making process. What did they have to say?

Throughout Alaska there was resounding concern for renewable resource industries. They were ranked, by a wide margin, as the highest priority for Permanent Fund money and the second highest priority for all additional oil and gas wealth.

This concern for renewable resource industries transcended community, regional and professional boundaries. However, the definition of those industries was colored by regional perspectives, ranging from

aquaculture and experimental farms to utilization of solar and tidal energy.

Alaskans participating in the Public Forum also wanted to preserve the integrity of the Permanent Fund. They wanted to insure that it indeed remains a "permanent" fund. Their second choice of "save it" reflects the desire for secure investments - those with guaranteed earnings and high returns. (Furthermore, there was considerable support in the second half of this question for increasing the size of the Permanent Fund by increasing the percentage of revenues flowing into it.)

Each of the five regions expressed differing degrees of concern for the options listed under the Permanent Fund question. (Table 1.)

While loans to renewable resource industries drew substantially high votes across the board, it was clearly the coastal respondents who out-distanced all others in their support for this option. Considering their economic base, that interest is probably equated with fishing and possibly forestry activities.

The Southwest had a higher percentage of people who marked "Loans to Communities" as their first choice. This option had healthy encouragement state-wide. However, while some communities in the State desired this option, many may not have sufficient tax base to repay such a loan.

Like hand in glove, Interior and Southcentral followed each other closely in the degree of importance they attached to each choice for

the Permanent Fund monies. On the whole, they tended to be more supportive of industrialization which was not a large vote getter state-wide.

While Alaskans were eager to use the Permanent Fund to support what many described as a potentially "risky" business with long-term benefits - i.e., making loans to renewable resource industries - some also wanted immediate, tangible proof of our new wealth. (Table 2.)

They favored tax cuts. Under the question of use of surplus oil and gas revenues which are not included in the Permanent Fund, this was the only option which exceeded "Loans to Renewable Resource Industries" in popularity.

Interestingly, tax cuts received the highest bid from those who did not attend the Public Forum workshops but merely filled out a Forum questionnaire.

This seems to indicate that when people gathered to bounce ideas back and forth, they tended to relinquish personal desires for communal benefits. The wide discrepancy in percentages on tax cut votes between questionnaire respondents and meeting-goers was made up in the workshops by stronger support for loans to communities, community revenue sharing, community grants and loans to renewable resource industries.

There was significant concern expressed for community assistance through community loans, community revenue sharing, and grants and

State services. Communities seemed to desire greater control over local services.

Industrial loans (i.e., loans to non-renewable resource industries) did not accrue substantial support. Loans to individuals, which lies at the bottom of the list of options percentage-wise, appeared to the majority of participants the least desirable investment.

This year's Public Forum will explore further the many questions about the Permanent Fund by building on these results. What did Alaskans mean by renewable resources? What goals and objectives lie behind Alaskans' support for such industries? The Forum will also address a number of other questions critical to the upcoming effort to draft legislation, including the problem of management of the Fund, accountability of the Fund's managers, whether the highest possible rate of return should be the investment objective, and whether or not the Fund should be used to subsidize certain industries or projects. The following brief history of the Fund should provide background useful for the consideration of these questions.

III. EVOLUTION OF THE PERMANENT FUND

The Permanent Fund idea in Alaska gained popularity only after the \$900 million North Slope lease sale in 1969. Following this sale, the Brookings Institute conducted a series of seminars concerning "The

Future of Alaska." More than 100 Alaskans were invited to attend, explore some of the major emerging policy issues, and set future goals and a practical policy plan for Alaska's future. The participants agreed that the "Alaskan way of life" should be preserved. They defined this life-style as one which combines the conveniences of technology innovation with the opportunity and values of living as close to nature as possible.

After the Brookings seminars, several bills were introduced in the 1970 legislative session to establish some sort of "permanent fund" with the \$900 million. However, other more immediate uses for the money were judged to be more important, and no permanent fund was established.

The 1974 Legislature passed a bill creating the Alaska Renewable Resources Development Fund. This legislation provides that not less than five percent of non-renewable resources income will be deposited in a separate fund beginning July 1, 1978. Monies can be appropriated from the Fund only for capital and operating expenditures for the rehabilitation, enhancement, and development of renewable resource programs.

Another bill, which would have created a permanent fund by statute, passed the Legislature in 1975. However, because the creation of such a fund by statute instead of by constitutional amendment would never be truly "permanent," the Governor vetoed it and introduced House Joint Resolution 39, requiring a vote by the people to adopt a

constitutional amendment to establish the Alaska Permanent Fund. The voters approved that amendment in November 1976 by a margin of nearly nine to one.

The amendment lifted the prohibition against special dedicated funds to allow a minimum of 25 percent of all mineral lease rentals, royalty sale proceeds, Federal mineral revenue-sharing payments, and bonuses to accumulate in a special fund separate from the General Fund.

Understanding the difference between Permanent Fund principal and the income the investment of principal earns is important. The principal represents Alaska's mineral wealth transformed into dollars through the sale of natural resources to private developers. The only restriction on the use of the principal of the Fund is that it must be for "income-producing investments" and, therefore, not for the general operating costs of government. The major task of the Administration and the Legislature is to determine to what specific uses (i.e., investments) these dollars should be put, and how to accomplish it. Last year's Public Forum response was to use the Fund for renewable resources. This year we seek to clarify this response, and ask some additional questions on how to achieve your objectives.

If the Fund is invested wisely, the income produced by the investment will yield a fairly certain recurring return on Fund investments. The income from these investments will be deposited in the State's General Fund unless otherwise provided for by law. Government decision makers must determine where and how to use the Fund's earnings which, unlike

use of the principle, need not produce income.

As with the \$900 million North Slope lease sales, many pressing needs exist for the billions of dollars which the State will receive in revenues from North Slope oil production and from future sales, leases, royalties and taxes from other areas. Nevertheless, these riches present a serious dilemma as well as a momentous opportunity for your government and the future of Alaska.

The problem is that our mineral sale revenues have recently been financing about 60 percent of State expenditures. Since oil and gas deposits are finite, this source of money is ultimately limited. This situation is of great concern to the Governor. The State is presently deliberating how to move from a dependence on this single unreplenishable source of funding to sources based exclusively on continuing State economic activity, without substantially reducing services, disrupting the growth of the Alaskan economy, or saddling the populace with a large tax burden in the short run. Although substantial oil revenue seems assured for at least ten years (with possible interruptions), how will we pay for government if revenue from mineral sources ultimately declines?

The opportunity presented by these oil revenues lies with how much oil revenue is used for State expenditures and how much is placed in the Permanent Fund. The constitutional amendment provides that at least 25 percent of these oil revenues be placed in the Permanent Fund, which leaves up to 75 percent for the General Fund (from which State

expenditures are made). It will be up to the Legislature to decide, by either fixing in the enabling legislation or on a year to year basis, whether more than 25 percent should go into the Fund. This will depend on the need for State expenditures, the amount of oil revenues coming in relative to that need, and on the uses to which the Permanent Fund will be put. If we use most of our oil wealth to finance ongoing State Government, it will meet public needs but it will also serve to increase our financial dependence on oil. Thus, part of the future role of the Permanent Fund will undoubtedly be to either supplement the General Fund with earnings from Fund investments or to help create a tax base to provide new State revenue sources or some mix of the two.

The role of the Permanent Fund in this context is the focus of this part of this year's Public Forum.

The Governor anticipated voter approval of the Permanent Fund amendment, and in August of 1976, he temporarily expanded the membership and duties of the State Investment Advisory Committee. The Committee is charged by statute to advise the Commissioner of the Department of Revenue on investment policy for the State. He appointed additional members from the general public and the legislative and executive branches and directed the entire body to study and report on the estimated size, investment goals, management, organization, and public interest in the Permanent Fund.

The State Investment Advisory Committee identified several key issues

which required resolution, conferred with consultants, and produced a draft bill proposing a structure for the Permanent Fund. To arrive at its findings, the Committee examined consultants' reports on many of the resource-based monetary funds and development banks throughout the world.

In March of 1977, this proposal was introduced in the State House to begin debate on the structure of the Permanent Fund. The bill (HB 298) would structure the Permanent Fund essentially as a development bank. Such a structure is premised on the belief that enough money will accumulate in the Permanent Fund, and that this money can be successfully applied, to allow diversification of the Alaskan economy. The development bank as proposed by the SIAC would have a two-tiered management system, a policy board with overall policy-making power, and a committee under the policy board to approve specific investment proposals. The bill gives the president of the Fund's corporation strong executive power and principal responsibility for presenting investment proposals of at least 40 percent of the Permanent Fund in high-grade securities, up to 30 percent in Alaska development loans, and up to 30 percent in community projects and private dwellings.

A second proposal was developed from the original SIAC proposal which differs in level of funding and provision for confirmation of policy board members. House Bill 298 calls for deposits of 50 percent of proceeds from bonuses, mineral lease rentals, royalties, and Federal mineral revenue-sharing payments, while House Bill 300 includes 100

percent of bonus payments and the same percentage from other sources. Except for the policy board appointment power of the Governor (which is subject to legislative confirmation only under the provisions of H.B. 300), either proposal would operate the Fund rather independently from the executive or legislative branches of State Government.

In 1977, the Legislature passed an interim Permanent Fund management bill that will stay in effect until specific investment objectives and management structure have been thoroughly examined and agreed upon. It directs the Commissioner of the Department of Revenue to invest Permanent Fund money into various "money-market instruments," such as U.S. treasury notes, certificates of deposit, and high-grade securities (not stock), all of which are relatively liquid and secure. By July 1, 1977, more than \$3.9 million had accrued to the Permanent Fund and been invested.

During the 1977 legislative session, the Speaker of the House and the President of the Senate appointed special committees to consider alternative proposals for the Permanent Fund during the legislative interim. The committees, like the Administration, will gather and distribute information, listen to public opinion, seek expert advice, consider how the Fund should be administered, establish major goals for the Fund, and present their recommendations to the full Legislature in January of 1978. Both the Administration and the committees are making efforts in the areas of public education and participation to learn what Alaskans want their Permanent Fund to be. The Public Forum is a

major part of this effort.

IV. THE FUND'S RELATIONSHIP TO THE CONSTITUTION AND OTHER STATE FUNDS

Oil and minerals are a removable portion of Alaska's statehood entitlement of its citizens - past, present, and future. This non-renewable wealth is now being extracted and transformed into another form of wealth - money. The decision to keep a portion of that wealth in a renewable status through dedication to the Permanent Fund provides an opportunity to protect that wealth from being spent and lost to future generations.

The form of the wealth is changing, yet the State still stands in the role of trustee, holding this resource wealth in trust for the benefit of the people of Alaska. Any objectives established for the Permanent Fund must be consistent with the same legislative obligations required for resource management. The Legislature must decide into what income-producing assets Permanent Fund money should be placed. It is important to clearly define the obligations of the State before setting fund objectives.

The income earned from fund investments provides another source of wealth. As discussed above, a significant portion of State expenditures presently relies upon oil wealth. The Legislature has

already stated that one objective of the Fund is to diversify the State economy. As oil wealth declines, the Permanent Fund may bear the responsibility of supplementing the General Fund through income from Fund investment, creation of an expanded tax base, or some combination of the two.

The Permanent Fund is one of several tools policy makers can use to achieve public objectives. Each year the Legislature appropriates money from the General Fund to finance State activities. As required by the constitution, the General Fund is the sole repository (with the exceptions of the Alaska Permanent Fund and the Renewable Resources Development Fund) of all State revenues from all sources. The Legislature is the only body empowered by the constitution to make appropriations (subject to veto by the Governor) from the General Fund for whatever purposes the Legislature deems proper.

The objectives of some of these activities may be similar to certain proposed uses of the Permanent Fund. For example, the State currently maintains loan programs to meet a variety of public needs, ranging from businesses to senior citizens housing and home loans. (See Appendix 1.) Careful coordination with existing loan activities will help avoid duplication and conflict of programs.

The State also possesses extensive bonding powers and can pursue major projects by issuing general obligations or revenue bonds. Special purpose agencies, such as the Alaska Power Authority, can (with legislative approval) provide for the financing of specific facilities.

The State additionally has mechanisms, such as the Municipal Bond Bank, to assist local governments borrowing money to achieve their objectives.

These various tools should be considered as we ponder alternative Fund uses so that we can best match tools with objectives. Provisions for coordinating the Permanent Fund and other government activities will be a crucial element in developing the enabling legislation.

V. OBJECTIVES FOR PERMANENT FUND INVESTMENT

The people of Alaska should establish the overall objectives for their Permanent Fund. State Government can only achieve this through public meetings like the Public Forum and other public participation, information and participation programs. We need to know your priorities to write Permanent Fund enabling legislation.

The response to last year's Public Forum tells us that Alaskan's most desire an expansion of the State's renewable resource industries. This year we seek to clarify both what people meant by renewable resource industries and to uncover what objectives, or visions for Alaska, lie behind this desire. Renewable resource industries mean many things to many people, and each industry can imply different goals to different people. If you can not tell us what it is about resource industries that you find attractive and important, we will

try to design the enabling legislation to reflect your wishes.

As you think about your objectives and prepare to answer the questions on the Permanent Fund, consider the following:

Many of the proposals for in-state investment may involve an interest subsidy; that is, the money is loaned at lower interest, in greater quantities or at "easier" terms than borrowers can obtain from private lenders. If this occurs, the Fund would probably earn a lower return than the market rate, unless the General Fund made up the difference (which has been proposed).

Subsidies may only make sense if the loan or guarantee launches an in-state enterprise that not only repays the loan, but also creates new individual tax sources to cover the original subsidy as well as the cost of additional State and local government services and environmental and social costs generated. If no such in-state opportunities exist, the Permanent Fund cannot create them. In-state investments must be thoroughly evaluated to separate the winners from the losers.

Another point to ponder is that objectives often conflict. Although different strategies may pursue the same objectives, each lends itself to the achievement of some more than others and even some to the exclusion of others. For example, a strategy which seeks to distribute Fund benefits directly to individuals, such as consumer loans, will fail to provide public facilities, such as through loans

to municipalities. Likewise, strategies which seek to guide the State's economy through economic diversification, for example, may not maximize the income from Fund investment.

Some other possible "tradeoffs" are:

employment vs. immigration
economic diversification vs. environmental degradation
size of state government vs. quantity and quality of
public services

Tradeoffs are inevitable. As you think about your objectives for the Permanent Fund, think about the tradeoffs involved.

VI. OBJECTIVES FOR THE CONTROL AND MANAGEMENT OF THE PERMANENT FUND

A common concern of many Alaskans after realizing the potential dollar magnitude of their Permanent Fund is who will control this wealth. The only other fund of similar or larger size in State Government is the General Fund. As discussed earlier, the constitution requires that all appropriations from the General Fund be made by the Legislature and be subject to gubernatorial veto. After appropriation by the Legislature, some agency of the executive branch usually administers General Fund money. (The court system, University of

Alaska, and Alaska Housing Finance Corporation are examples of some of the exceptions.)

The State constitution requires that the Legislature determine what kind of investments are eligible for Permanent Fund money. However, the day-to-day management of the money may be delegated to an agency in the executive branch (as it is presently) or to an organization or organizations outside the legislative and executive branches.

The two critical management questions are: How much control over policy should be delegated by the Legislature to another agency or agencies? To what extent will the managers in those agencies be accountable to the people of Alaska, either directly or through their elected officials?

If the Legislature simply directs the managing agency to diversify the Alaskan economy by making sound investments in Alaska's renewable and non-renewable resources (one of the investment guidelines in HB 298), a great deal of discretion is left to the managing agency as to what is a sound investment, what resources to invest in, and which individuals or corporations will receive financing. For example, Fund managers may decide to invest in a multimillion dollar hydroelectric project, or they could use the same money for home loans to individual Alaskans.

Permanent Fund managers must be accountable to elected officials and the public, but at the same time, they should not be vulnerable to

political and special interest pressures. If the loan-making process is to be shielded from political influences by insulating Fund managers from policy directives of elected officials, a large degree of both responsiveness and accountability to the public will be lost.

Current proposals call for appointment of managers by the Governor (one adds confirmation by the Legislature) with removal only for cause. The State Investment Advisory Committee discussed the possibility of elected members, but a brief look at Alaska's highly centralized government (with only the Governor, legislators, and Lieutenant Governor being elected) indicates why this probably would not be consistent with the State Constitution.

"Politics" will not necessarily be kept out of loan decisions by placing experts on a board which is not accountable to the executive branch or the Legislature. Clear and widespread notice to the public about the types of loans that qualify, how loans are applied for and granted, disclosure requirements for decision makers, publishing list of loans or guarantees made, and regular auditing by the executive and legislative branches of government might provide at least a partial remedy to the control and accountability problems.

An alternative to the highly centralized management structure proposed in HB 298 would be for the Legislature to provide for the administration of the Permanent Fund under the existing constitutional power of appropriation: The Legislature, with approval of the Governor, would designate eligible investments by law. The

Legislature annually would pass an investment bill for the Permanent Fund, much like the budget bill for the General Fund. The Permanent Fund investment bill would apportion available Permanent Fund money among the eligible investments.

Funds deposited in the Permanent Fund would temporarily be invested in liquid and secure money-market instruments pending each year's investment bill, as is now being done with Permanent Fund receipts.

The Legislature might choose to create new types of financial intermediaries and designate them as eligible for loans or loan guarantees in order to meet Alaska's changing capital needs. For example, the development bank corporation proposed in HB 298 could be one of the new financial intermediaries designated as an appropriate recipient of Fund money. The organization of the Fund may profoundly affect how the Fund performs, but the organization should reflect - not determine - the goals of the Fund. Goals established today may not be those held by tomorrow's Alaskans. There must be built into any Permanent Fund structure both the ability to protect the principal of the Fund and responsiveness to meet changing goals.

APPENDIX 1

The following current State loan programs and activities are potentially eligible for Permanent Fund investment (i.e., they are "income-producing"):

1. The Scholarship Loan Program provides loans to Alaska residents for post-secondary vocational and academic training with a forgiveness incentive to remain in Alaska after completing school;
2. The Fisheries Enhancement Revolving Loan Fund supports loans to non-profit organizations or individuals for the development of hatcheries;
3. The Municipal Bond Bank Authority is an independent public corporation established to assist communities in Alaska to develop needed public facilities by marketing general obligation bonds. The bond bank will purchase these bonds, offering its own revenue bonds to the public bond market;
4. The Division of Business Loans administers five revolving loan funds and two public corporations - the Small Business Revolving Loan Fund, the Tourism Revolving Loan Fund, the Commercial Fishing Revolving Loan Fund, the Child Care Revolving Loan Fund, the Water Resources Revolving Loan Fund, the Alaska State Development Corporation, and the Small Business Development

Corporation. These five loan funds enable qualified businesses and public utilities to obtain long-term financing for developing, expanding, or modernizing their operations;

5. The Veterans Affairs Revolving Loan Fund makes loans to qualified Alaska national guardsmen and veterans in Alaska. These loans may be used to purchase, refinance, build and remodel homes, farms, businesses, and multiple dwellings. In addition, a qualified veteran may receive a loan for education, fishing, mining, or personal use;
6. The Agricultural Revolving Loan Fund provides long-term, low interest loans to promote rapid development of agriculture as an industry throughout the State;
7. The Senior Citizen Housing Development Program provides loans and grants to municipalities, housing authorities, and other non-profit local sponsors to stimulate new housing construction and for rehabilitation of existing units for senior citizens;
8. The Alaska State Housing Authority (ASHA) and the Alaska Housing Finance Corporation (AHFC) are operated by the State for public and low-cost housing programs and State-supported financing for low- and moderate-cost private sector housing development. Currently, ASHA receives most all of its funding from the U.S. Department of Housing and Urban Development, and currently manages housing units throughout the State. AHFC makes or buys

mortgages on low- or moderate-income housing, insures mortgages, and makes home improvement loans and loans for other associated costs of home ownership, including down payments, to qualified persons or developers. In addition, the State has established 13 regional Native housing authorities with powers essentially similar to those of ASHA. The Federal Government provides virtually all of the funds for these activities, so State participation is minimal and limited to insured short-term loans; and

9. The Alaska Power Authority is designed to promote the development of hydroelectric and fossil fuel power sources for domestic Alaska usage. The Authority is generally empowered to issue bonds and notes to finance power development activities in the State, with the debt being secured by the projects themselves or by the earnings of these projects. This program is still in the formative stages and has yet to issue bonds.

PERMANENT FUND QUESTIONS

I. In order to refine last year's Public Forum results regarding the use of Permanent Fund monies, please indicate one area that you would like to see emphasized for investment of part of the Permanent Fund.

A. Inside the State:

1. fisheries;
2. alternative energy development -
 - large scale;
 - small scale;
3. agriculture;
4. mineral extraction;
5. tourism;
6. other industry (please specify) _____;
7. timber; and
8. other _____.

B. Invest Outside:

1. If it would produce a higher rate of return on the money invested; and
2. Other _____.

II. Now that you have indicated your preferred area, will you please tell us why you chose this area?

- A. It would create more jobs;
- B. It would give me an opportunity to make more money;
- C. It would give the State the highest return on the Permanent Fund investments;
- D. It would not encourage more people to come to Alaska;
- E. It would not harm the environment;
- F. It would increase the availability of Alaskan resources for in-state use;
- G. It would promote more Alaskan ownership and control of business;
- H. It would lessen government intervention in business; and/or
- I. Other _____.

III. How should the State go about using the Permanent Fund (or other State loan programs) to intervene in the economy to achieve the objectives determined for it?

- A. Market interest rate loans to any enterprise which can pay back the loan plus interest (first come, first served);
- B. Market interest rate loans to a certain set of enterprises specified by statute;
- C. Lower than market interest rate loans to a certain set of enterprises, specified by statute;
- D. State organizations to assist certain sectors collectively, on a

- fee for service basis, to provide such services as marketing, organization, information, technical aid, research efforts, etc.;
- E. Joint ventures with private enterprise for the State to share ownership, control, and profit potential; and
 - F. State owned and operated corporations in a certain set of enterprises chosen by the Legislature.

IV. Accountability and Control.

Permanent Fund policy will have to be set by someone. These policy makers will be responsible for carrying out the intent of the enabling legislation through the actual operation of the Fund. Because the Permanent Fund is public money, those who set policy must be accountable to the public. With which of the following alternatives would you feel most comfortable?

- A. A State agency accountable through the Governor and the Legislature by means of statutes, the budget process, etc;
- B. A board appointed by the Governor and serving at his pleasure;
- C. A board appointed by the Governor for a specified length of service;
- D. A board appointed by the Governor and confirmed by the Legislature;

- E. A board chosen from various segments of the political spectrum (an example would be two members from the Administration, two from the Legislature, and three from the general public);
- F. A board directly elected by the public; and
- G. Other _____.

Now that you have indicated your preference, please tell us why you chose it.

- A. I trust the Governor to choose wisely;
- B. I trust the Legislature to choose wisely;
- C. I trust the Governor and the Legislature working together to choose wisely;
- D. I want broad representation;
- E. I think direct representation of political interests is good;
- F. I want maximum opportunity to choose the board;
- G. I want the board insulated from politics; and
- H. Other _____.

LOAN FUND ACTIVITY IN FY 76

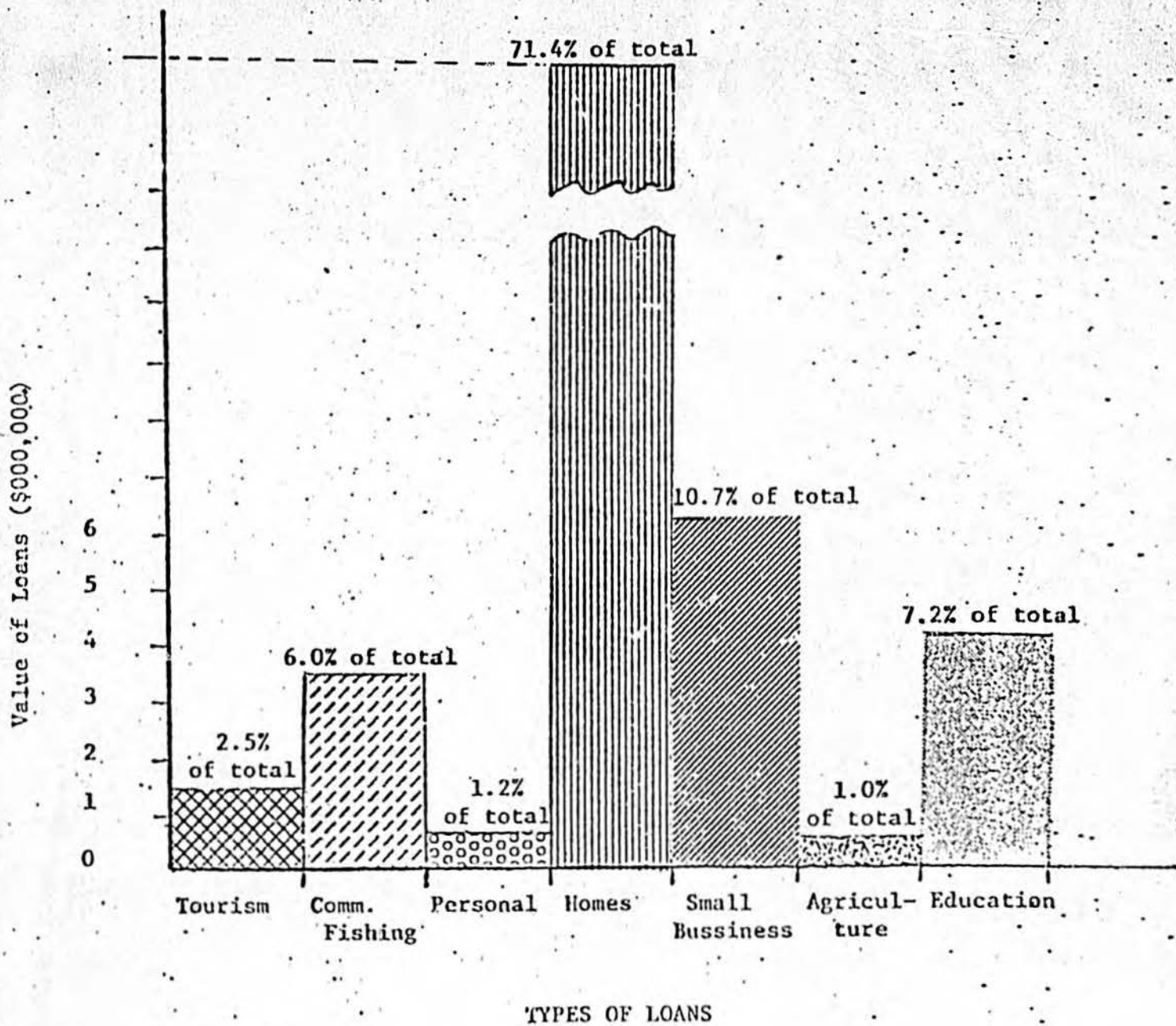
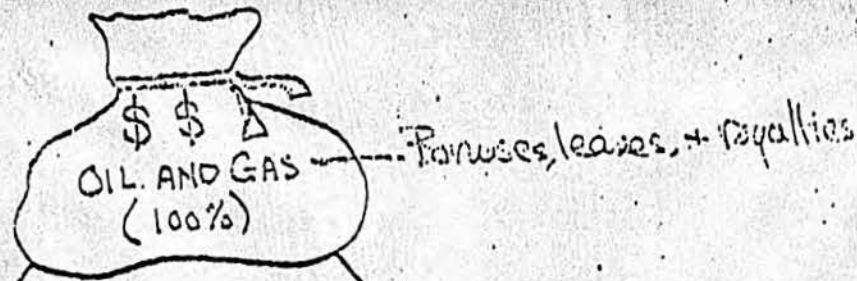


TABLE A

OIL AND GAS REVENUES (Statewide percentages)



Question 1A →

PERMANENT
Fund (25%)

* 1. Loans for Renewable Resources	36%
2. Save it	26%
3. Loans to Communities	14%
4. Loans to Industry	10%
5. Loans to Individuals	9%
6. Other	5%
	100%
Total # respondents	3237

← Question 1B

EXCESS WEALTH
(75%)

1. Taxcuts	28%
* 2. Loans for Renewable Resources	20%
3. Save it	12%
4. Community Revenue Sharing	11%
5. Other	8%
6. Cash payments	5%
Use for State Services	5%
Loans to Industry	5%
7. Loan to Communities	3%
Loan to Individuals	3%
	100%
Total # respondents	3187

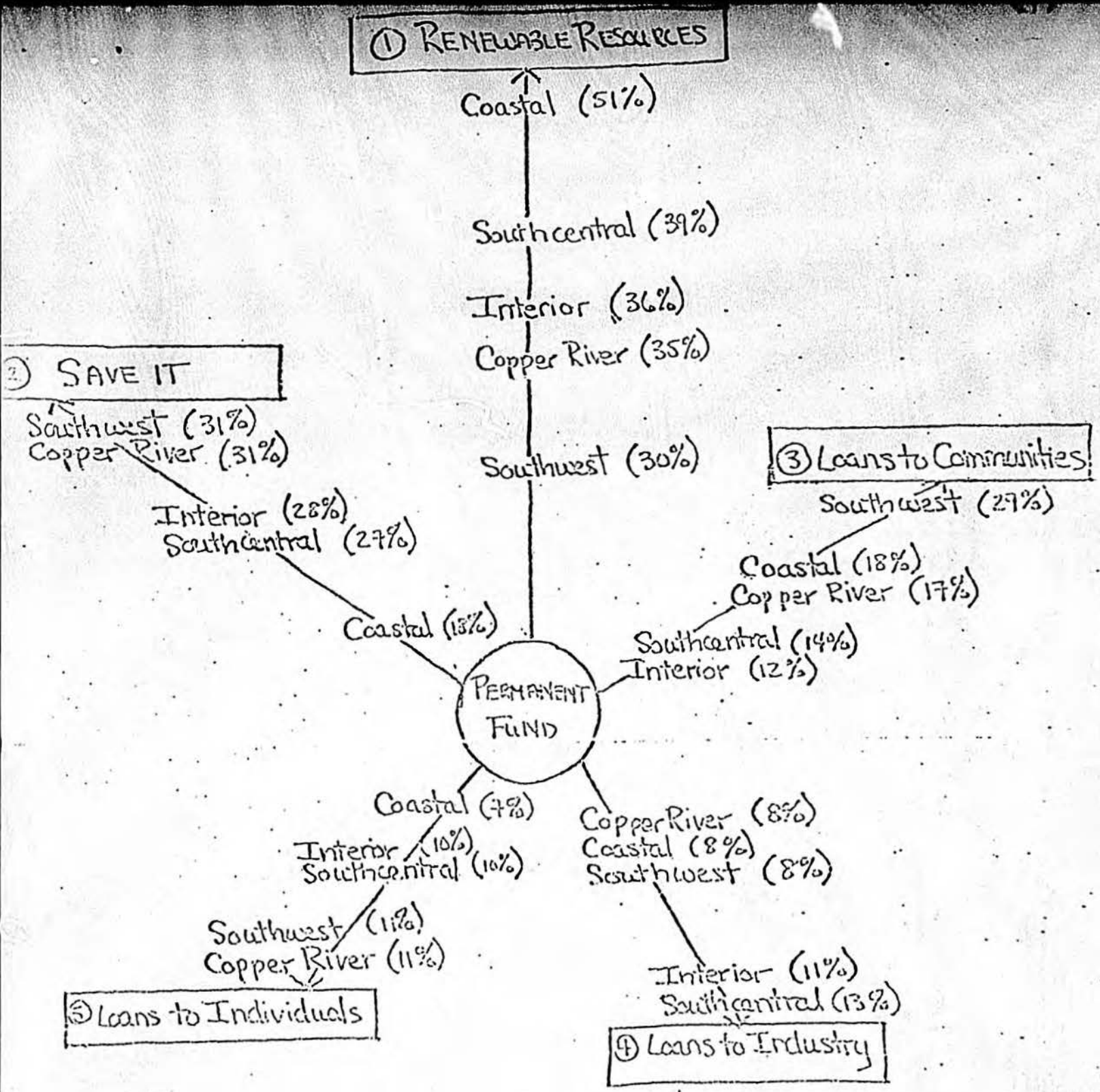
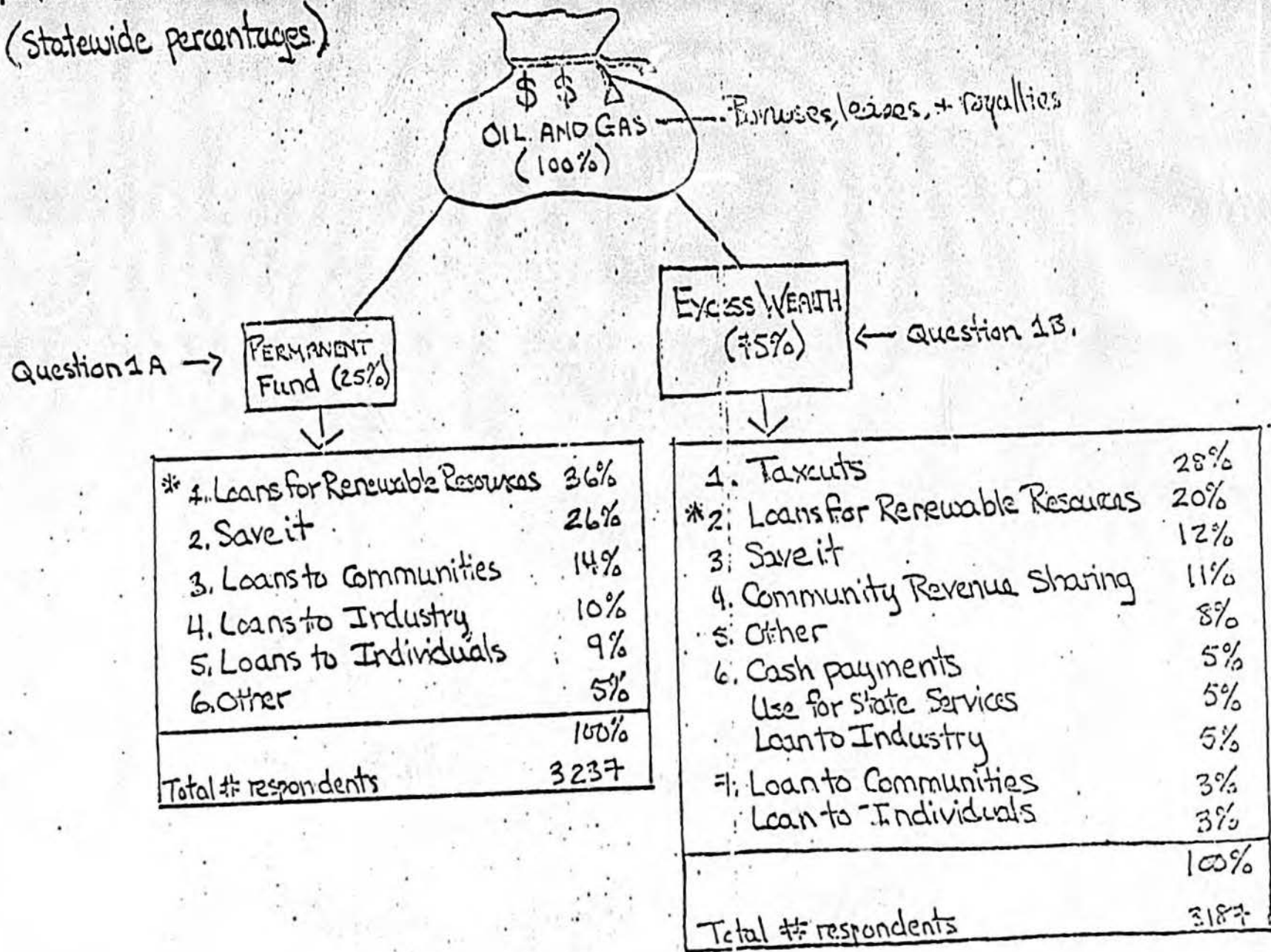


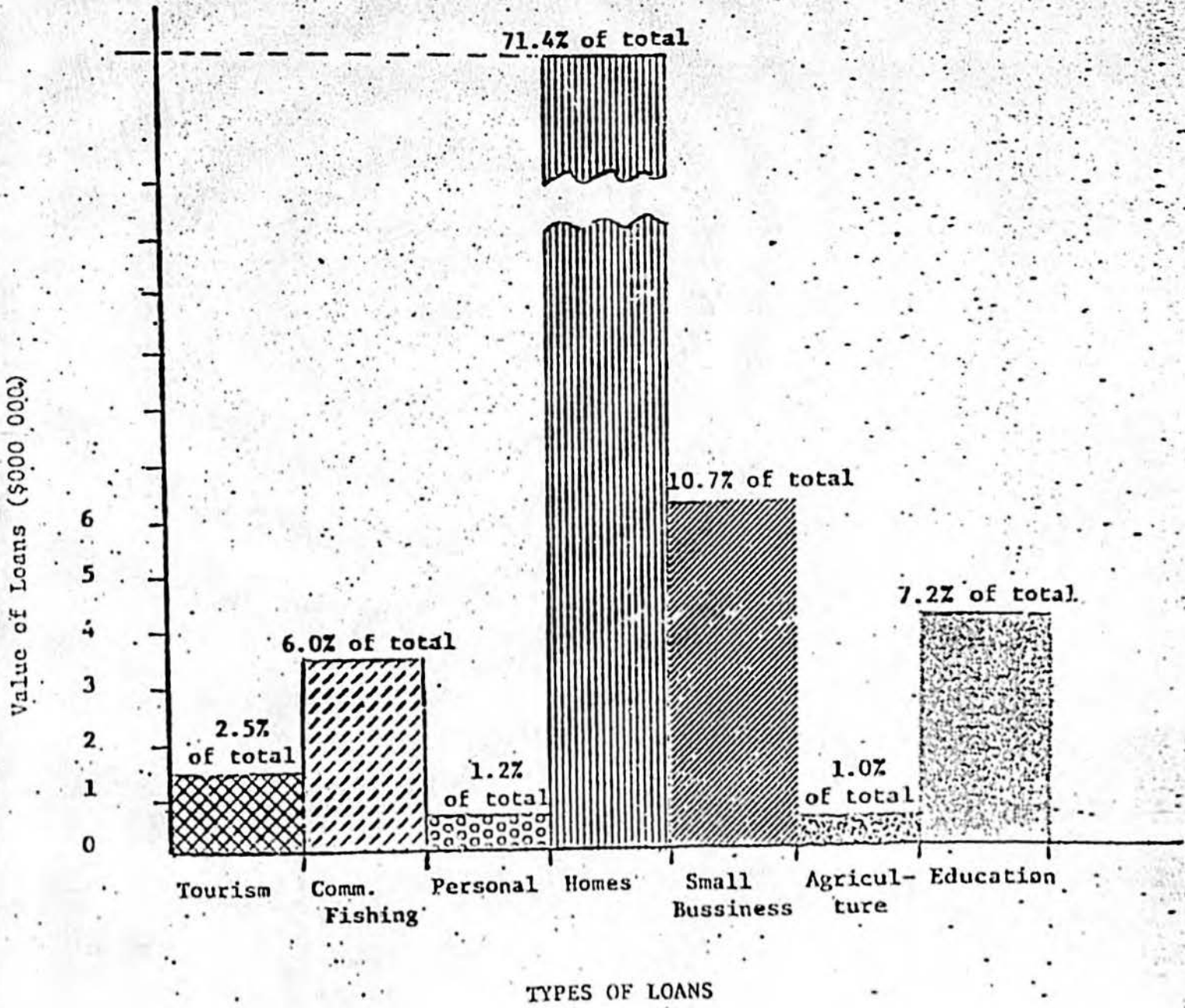
TABLE #1
 ALLOCATION OF PERMANENT FUND
 REGIONAL PREFERENCES
 (Percent Distributions)

TABLE 2

OIL AND GAS REVENUES (Statewide percentages)



LOAN FUND ACTIVITY IN FY 76



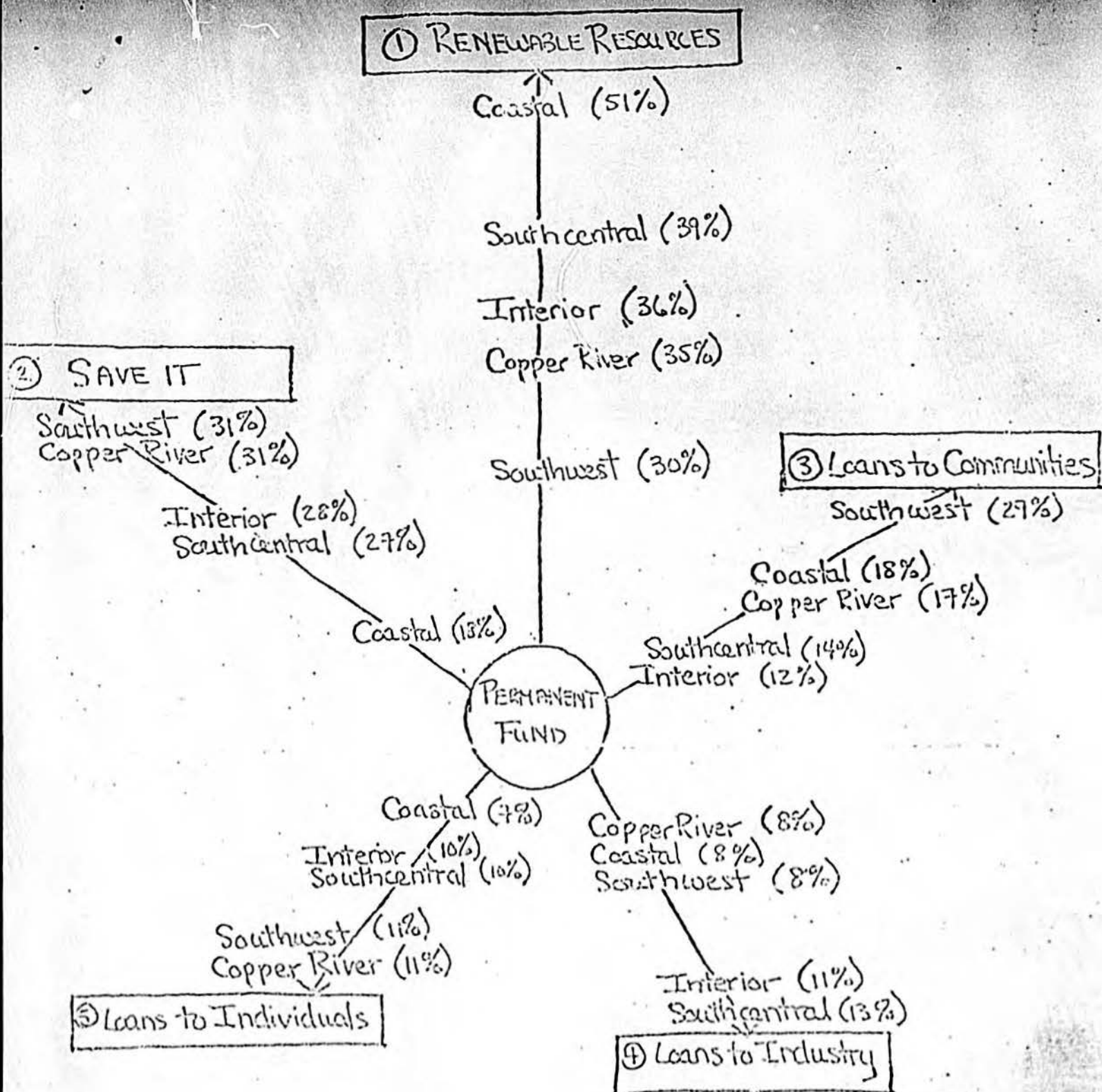
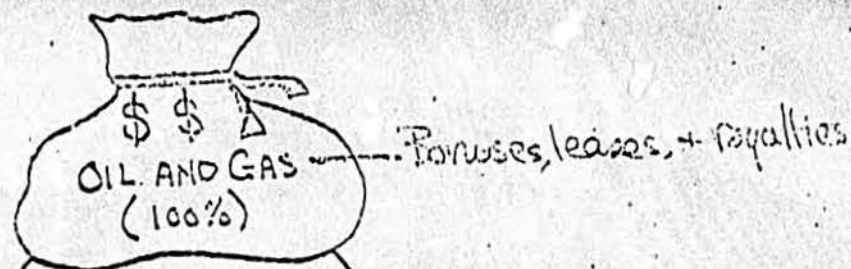


TABLE #1
 ALLOCATION OF PERMANENT FUND
 REGIONAL PREFERENCES
 (Percent Distributions)

TABLE A

OIL AND GAS REVENUES

(Statewide percentages)



Question 1A →

PERMANENT
Fund (25%)

* 1. Loans for Renewable Resources	36%
2. Save it	26%
3. Loans to Communities	14%
4. Loans to Industry	10%
5. Loans to Individuals	9%
6. Other	5%
100%	
Total # respondents	3237

← Question 1B.

EXCESS WEALTH
(75%)

1. Taxcuts	28%
* 2. Loans for Renewable Resources	20%
3. Save it	12%
4. Community Revenue Sharing	11%
5. Other	8%
6. Cash payments	5%
Use for State Services	5%
Loan to Industry	5%
7. Loan to Communities	3%
Loan to Individuals	3%
100%	
Total # respondents	3187

ALASKA PERMANENT FUND

An overwhelming majority of Alaska voters approved an amendment to the state constitution last November which provides that at least 25 percent of certain state nonrenewable resource revenues be placed in a permanent fund. The amendment requires that the fund's "principal shall be used only for those income-producing investments" the legislature designates as eligible for permanent fund money. The amendment also provides that income from the investments will go into the State's General Fund (where all other revenues and taxes are deposited) unless the legislature designates that income for other purposes.

In 1978 the Tenth Alaska Legislature will consider several different proposals for management and organization of the Permanent Fund and use of the fund's earnings. A great deal of work has already been accomplished by the administration and the legislature in developing background information for these proposals. The administration, through the Department of Revenue, has ~~already~~ ^{its} consolidated ~~their~~ efforts into a "discussion bill," HB 298, described later in this section. Research and analysis continues as policy makers prepare for the debate which will take place during the 1978 session.

The Public Forum will play a large role in this debate. In addition to research on technical questions, policy makers also seek information on how the public views the issues pertaining to the Permanent Fund. They must find out what the public wants before they can devise the most effective institutions and pol-

icies to meet these goals. Thus, the Public Forum will be used as a major vehicle to draw out public opinion and ideas and stimulate discussion on how to make the Permanent Fund work toward our common visions for Alaska.

The amendment to the constitution lifted the prohibition against special dedicated funds to allow a minimum of 25 percent of all mineral lease rentals, royalty sale proceeds, federal mineral revenue-sharing payments, and bonuses to accumulate in a special fund separate from the General Fund.

Understanding the difference between permanent fund principal and the income the investment of principal earns is important. The principal represents Alaska's mineral wealth transformed into doallars through the sale of natural resources to private developers. The only restriction on the use of the principal of the fund is that it must be for "income-producing investments" and, therefore, not for the general operating costs of government.

The major task of the state administration and legislature is to determine to what specific uses (i.e., investments) these dollars should be put and how to best administrate the fund. Last year's Public Forum response was ^oto use the fund for renewable resources. This year we seek to clarify this reponse and ask some additional questions on how to achieve your objectives.

*
Mov 2
to
p-3

If the fund is invested wisely, ^(interest) the income ^{to} produced by the investment will yield a fairly certain recurring return on fund invest-

ments.) ~~Unless the principal, the interest is not restricted to "income-producing" use.~~ ^{Unless otherwise provided for by law's interest} The income from these investments will be deposited in the State's General Fund ~~unless otherwise provided for by law.~~

^

Government decision makers must determine where and how to use the fund's earnings which, unlike use of the principal, need not produce income.

As with the \$900 million North Slope lease sale, many pressing needs exist for the billions of dollars which the State will receive in revenues from production of oil at Prudhoe Bay as well as from future sales, leases, royalties, and taxes from other areas. Nevertheless, these riches present a serious dilemma as well as a momentous opportunity for your government and the future of Alaska. ✕ (Insert from p. 2)

The problem is that our mineral sale revenues have recently been financing about 60 percent of state expenditures. Since oil and gas deposits are finite, this source of money is ultimately limited. The State is presently deliberating how to move from a dependence on this single unreplenishable source of funding to sources based exclusively on continuing state economic activity without substantially reducing services, disrupting the growth of the Alaskan economy, or saddling the populace with a large tax burden in the short run. Although substantial oil revenue seems assured for at least 10 years (with possible interruptions), how will we pay for government if revenue from mineral sources ultimately declines?

The opportunity presented by these oil revenues lies with how much oil revenue is used for state expenditures and how much is placed in the Permanent Fund. The constitutional amendment provides that at least 25 percent of these oil revenues be placed in the Permanent Fund, which leaves up to 75 percent for the General Fund (from which state expenditures are made).

The legislature will decide, (by either) fixing in the enabling legislation or on a year-to-year basis, whether more than 25 percent should go into the (Permanent) fund. This will depend on the need for state expenditures, the amount of oil revenues coming in relative to that need, and on the uses to which the Permanent Fund will be put. If we use most of our oil wealth to finance the general operations of state government, it will meet public needs but will also serve to increase our financial dependence on oil. Thus, part of the future role of the Permanent Fund will undoubtedly be to either supplement the General Fund with earnings from fund investments or to help create a tax base to provide new state revenue sources of some mix of the two.

The role of the Permanent Fund in this context is the focus of this part of this year's Public Forum.

The governor anticipated voter approval of the permanent fund amendment, and in August 1976 he temporarily expanded the membership and duties of the State Investment Advisory Committee. This committee is charged by statute to advise the Commissioner of the Department of Revenue on investment policy for the State. ^{The governor} He appointed additional members from the general public and the legislative and executive branches and directed the entire body to study and report on the estimated size, investment goals, management, organization, and public interest in the Permanent Fund.

The State Investment Advisory Committee identified several key issues that required resolution ^{and} conferred with consultants' reports on many of the resource-based monetary funds and development banks throughout the world.

In March 1977 this proposal was introduced in the State House to begin debate on the structure of the Permanent Fund. The

bill (HB 298) would structure the Permanent Fund essentially as a development bank. Such a structure is premised on the belief that at least part of the money that accumulates in the Permanent Fund can be loaned to promote instate enterprises that will help diversify the Alaska^g economy. The development bank, as proposed by the State Investment Advisory Committee, would have a two-tiered management system, a board with overall policy-making power, and a committee under the policy board to approve specific investment proposals. The bill gives the president of the fund's corporation strong executive power and principal responsibility for presenting investment^o proposals of at least 40 percent of the Permanent Fund in high-grade securities, up to 30 percent in Alaska development loans, and up to 30 percent in community projects and private dwellings.

A second proposal was developed from the original committee proposal which differs in level of funding and provision for confirmation of policy board members. While HB 298 calls for deposits of 50 percent of proceeds from bonuses, mineral lease rentals, royalties, and federal mineral revenue-sharing payments, HB 300 includes 100 percent of bonus payments and the same percentage as HB 298 from other sources. Except for the policy board appointment power of the governor (which is subject to legislative confirmation only under the provisions of HB 300), either proposal would operate the fund rather independently from the executive or legislative branches of state government.

In 1977 the legislature passed on interim Permanent Fund manage-

ment bill that will stay in effect until specific investment objectives and management structure have been thoroughly examined and agreed upon. It directs the commissioner of the Department of Revenue to invest Permanent Fund money into various "money-market instruments," such as U.S. treasury notes, certificates of deposit, and high-grade securities (not stock), all of which are relatively liquid and secure. By July 1, 1977 more than \$3.9 million had accrued to the Permanent Fund and been invested.

THE FUND'S RELATIONSHIP TO THE CONSTITUTION AND OTHER STATE FUNDS

Oil and minerals are a removable portion of Alaska's statehood entitlement. This nonrenewable wealth is now being extracted and transformed into another form of wealth--money. The decision to keep a portion of that wealth in a renewable status through dedication to the Permanent Fund provides an opportunity to protect that wealth from being spent and lost to future generations.

The form of the wealth is changing, yet the State still stands in the role of trustee, holding this resource wealth in trust for the benefit of the people of Alaska. Any objectives established for the Permanent Fund must be consistent with the same legislative obligations required for resource management. The legislature must decide into what income-producing assets Permanent Fund money should be placed. It is important to clearly define the obligations of the State before setting fund objectives.

The income earned from fund investments provides another source of wealth. As discussed above, a significant portion of state expenditures presently relies upon oil wealth. The legislature has already stated that one objective of the fund is to diversify the state economy. As oil wealth declines, the Permanent Fund may bear the responsibility of supplementing the General Fund through income from fund investment, creation of an expanded tax base, or some combination of the two.

The Permanent Fund is one of several tools policy makers can use to achieve public objectives. Each year the legislature appropriates money from the General Fund to finance state activities. As required by the constitution, the General Fund is the sole repository (with the exceptions of the Alaska Permanent Fund and the Renewable Resources Development Fund) of all state revenues from all sources. The legislature is the only body empowered by the constitution to make appropriations (subject to veto by the governor) from the General Fund for whatever purposes the legislature deems proper.

The objectives of some of these activities may be similar to certain proposed uses of the Permanent Fund. For example, the State currently maintains loan programs to meet a variety of public needs, ranging from businesses to senior citizens housing and home loans. Careful coordination with existing loan activities will help avoid duplication and conflict of programs.

OBJECTIVES FOR PERMANENT FUND INVESTMENT

The people of Alaska should establish the overall objectives for

their Permanent Fund. State government can only achieve this through public meetings like the Public Forum and other public participation and information programs.

The response to last year's Public Forum tells us that Alaskans most desire an expansion of the State's renewable resource industries. This year we seek to define what you had in mind as renewable resource industries and to uncover what objectives or visions for Alaska lie behind this. Renewable resource industries mean many things to many people, and each industry can imply different goals to different people. If you can tell us what it is about resource industries that you find attractive and important, ^{it} ~~we~~ will ^{help} ~~try~~ to design ^{the} enabling legislation ^{that} ~~to~~ reflect ^s your wishes.

As you think about your objectives and prepare to answer the questions on the Permanent Fund, consider the following points.

Many of the proposals for instate investment may involve an interest subsidy; that is, the money is loaned at lower interest, in greater quantities, or at better terms than borrowers can obtain from private lenders. If this occurs, the fund would probably earn a lower return than the market rate unless the General Fund made up the difference (which has been proposed). Subsidies may only make sense if the loan or guarantee launches an instate enterprise that not only repays the loan, but also creates new individual tax sources to cover the original subsidy as well as the cost of additional state and local government services and environmental and social costs generated. If no such instate opportunities exist, the Permanent Fund cannot create them. ~~Instate investments must be thoroughly eval-~~

9

~~aimed to separate the winners from the losers.~~

Another point to ponder is that objectives often conflict. Although different strategies may pursue the same objectives, each lends itself to the achievement of some more than others and even some to the exclusion of others. For example, a strategy which seeks to distribute fund benefits directly to individuals, such as consumer loans, will fail to provide public facilities, such as through loans to municipalities. Likewise, strategies which seek to guide the state's economy through economic diversification, for example, may not maximize the income from fund investment.

Tradeoffs are inevitable. As you think about your objectives for the Permanent Fund, think about the tradeoffs involved.

OBJECTIVES FOR THE CONTROL AND MANAGEMENT OF THE PERMANENT FUND

A common concern of many Alaskans after realizing the potential dollar magnitude of their Permanent Fund is who will control this wealth. The only other fund of similar or larger size in state government is the General Fund. As discussed earlier, the constitution requires that all appropriations from the General Fund be made by the legislature and be subject to gubernatorial veto. After appropriation by the legislature, some agency of the executive branch usually administers General Fund money. (The court system, University of Alaska, and the Alaska Housing Finance Corporation are examples of some of the exceptions.)

The state constitution requires that the legislature determine what kind of investments are eligible for Permanent Fund money. However, the day-to-day management of the money may be delegated to an agency in the executive branch (as it is presently) or to an organization or organizations outside the legislative and executive branches.

The two critical management questions are: How much control over policy should be delegated by the legislature to another agency or agencies? To what extent will the managers in those agencies be accountable to the people of Alaska, either directly or through their elected officials?

If the legislature simply directs the managing agency to diversify the Alaskan economy by making sound investments in Alaska's renewable and nonrenewable resources (one of the investment guidelines in HR 228), a great deal of discretion is left to the managing agency as to what is a sound investment, what resources to invest in, and which individuals or corporations will receive financing. For example, fund managers may decide to invest in a multimillion dollar hydroelectric project, or they could use the same money for home loans to individual Alaskans.

Permanent Fund managers must be accountable to elected officials and the public, but at the same time, they should not be vulnerable to political and special interest pressures. If the loan-making process is to be shielded from political influences by insulating fund managers from policy directives of elected officials, a large degree of both responsiveness and accountability to the public will be lost.

Current proposals call for appointment of managers by the Governor (one adds confirmation by the Legislature) with removal only for cause. The State Investment Advisory Committee discussed the possibility of elected members, but a brief look at Alaska's highly centralized government (with only the Governor, legislators, and Lieutenant Governor being elected) indicates why this probably would not be consistent with the State Constitution.

"Politics" will not necessarily be kept out of loan decisions by placing experts on a board which is not accountable to the executive branch or the Legislature. Clear and widespread notice to the public about the types of loans that qualify, how loans are applied for and granted, disclosure requirements for decision makers, publishing list of loans or guarantees made, and regular auditing by the executive and legislative branches of government might provide at least a partial remedy to the control and accountability problems.

An alternative to the highly centralized management structure proposed in HB 298 would be for the Legislature to provide for the administration of the Permanent Fund under the existing constitutional power of appropriation: The Legislature, with approval of the Governor, would designate eligible investments by law. The Legislature annually would pass an investment bill for the Permanent Fund, much like the budget bill for the General Fund. The Permanent Fund investment bill would apportion available Permanent Fund money among the eligible investments.

Funds deposited in the Permanent Fund would temporarily be invested in liquid and secure money-market instruments pending each year's investment bill, as is now being done with Permanent Fund receipts. The Legislature might choose to create new types of financial intermediaries and designate them as eligible for loans or loan

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guarantees in order to meet Alaska's changing capital needs. For example, the development bank corporation proposed in HB 298 could be one of the new financial intermediaries designated as an appropriate recipient of ~~Fund~~ money. The organization of the ~~Fund~~ may profoundly affect how ^{it} ~~the Fund~~ performs, but the organization should reflect — not determine — the goals of the ~~Fund~~. Goals established today may not be those held by tomorrow's Alaskans. There must be built into any Permanent Fund structure both the ability to protect the principal of the ~~Fund~~ and responsiveness to meet changing goals.

PERMANENT FUND CONTROL QUESTION --- DRAFT TWO

Permanent Fund policy will have to be set by someone. ~~One~~
~~suggested management structure involves to boards --- an~~
~~investment board to make decisions on ^{two} specific investment~~
~~proposals and a policy committee to set broad guidelines for~~
~~the investment board.~~ Because the Permanent Fund is public
money, those who set policy must be accountable to the public.
Which of the following ~~policy board~~ possibilities do you prefer?

1. A board appointed by the governor and responsible to him?
2. A board appointed by the legislature and responsible to it?
3. A board appointed by the governor and responsible to him and the legislature?
4. A committee of the legislature being the policy board?

Who do you trust

How much are willing to part with.

1. WEALTH MANAGEMENT

- PRESENT AS OPPORTUNITY, NOT IMPROBABLE, FUTURE CRISIS?

DOT analysis
legi-
veto

The issue of wealth management, how the state raises funds and spends them, relates to all state activities and to nearly any question which might be posed to the public through the Forum. Virtually every public meeting abounds with suggestions for things the state should do or should provide, i.e. ways for the state to allocate its revenues. However, oil wealth has recently been financing about 60% of state expenditures. (Explain what makes up the 40%, the 60%, and how this situation has evolved.) Since these revenues result from the sale and development of non-renewable publicly owned resources (Explain non-recurring nature) , it is clear that this currently painless method of financing state government cannot continue indefinitely. (Explain the prospects for oil revenue decline - time horizon).

The other side of the equation, state expenditures, present an equally difficult problem. As population increases and costs rise, upward pressures are exerted against expenditure ceilings as attempts are made to maintain current service levels. (Explain rate of expenditure growth and give projections).

This then is the wealth management question. How can the state adjust its revenue/expenditure situation to assure a stable, long - run government sector, where sufficient revenue comes in every year to pay for state expenditures ?

As state oil reserves are depleted over time, we may face the difficult task of moving the financing of state expenditures from a non-recurring to a recurring source of revenue.

The creation of the Permanent Fund has been viewed by some as a partial solution to the wealth problem, since the Fund assures that a portion of the wealth will be preserved. (Discuss percentage contribution, different projections of principle, and implications for the general fund). However, even though the interest earnings from Fund investments will represent a recurring revenue source, (give different amounts under different assumptions) these earnings will not be

Accountability

CRA Report on appropriate local input alternatives
JM & MS control and ^(77 AC ELABORATED WITH GOLDEN'S WORK.) management study (Page 66 BD)

Structure

Daniels* 1. Refinement of proposal to create: (Page 95
BD)

Technology Development Corporation
Intermediate and Long-term FINANCING AGENCY
Community Development Finance Corporation
Central Development Bank (Cooperative
Bank)

2. ~~Also~~ Decentralization Question FOR ABOVE
3. GENERAL DISCUSSION OF ACCOUNTABILITY IN ORGANIZATIONS AROUND THE WORLD

* WE UNDERSTAND GOLDEN IS DOING THESE THREE TASKS.

large enough to bridge the gap which would result from declining oil revenues. (Give projected gaps given different expenditure levels and ^{NON-MINERAL} ~~40%~~ tax revenues). Also, there is little evidence that the state, through intervention in the private economy, has the ability to assure the growth of a tax base large enough to replace oil income. (Expand) Thus, as oil revenue allows state government to grow larger, this potential fiscal crisis also grows larger. The following question asks you to think about this problem.

Q. At present approximately 60% of state expenditures are financed with oil wealth. Since ^{in all likelihood,} state expenditures will continue to grow as oil wealth declines, how would you rank the following methods for bringing state revenues and expenditures into balance in the future?

- a. Put as much oil revenue as possible into the Permanent Fund, invest it in maximum return investments, and use the earnings to help pay for state expenditures.
- b. Try to stimulate those ^{enterprises} industries which would hopefully increase tax receipts to a greater extent than they increase state costs.
- c. Let future residents worry about paying for state expenditures if and when oil revenues decline.
- d. Raise existing taxes. Specify type:
 - personal income
 - excise
 - business
 - other
- e. Reduce certain types of state expenditures. Specify area of reduction: _____
- f. Set a ceiling on state expenditures.

276-5262

INSIDE, OUT STATE

2. THE PERMANENT FUND

The response to last year's Public Forum indicated that Alaskans favor the expansion of renewable resource industries. Forum participants chose "Loan it to develop renewable resource industries" most frequently as their preferred use of the state's new oil and gas money. (Expand with an analysis of last year's results).

of in state, which most favor?

Q. a. In order to refine this response please indicate which sector of the state's economy you would like to see supported through the Permanent Fund. Along with your choice, please specify some examples of the types of enterprise you envision.

~~Hydroelectric power development~~ ALTERNATIVE ENERGY (HYDRO, COAL, SOLAR) RESID. related industry _____

? → ~~Mineral Extraction~~ INDUSTRY SUCH AS OIL REFINING, COAL EXPORT OR ELECTRICITY, ALUMINUM, ETC.
~~Primary Processing (mineral or renewable resource)~~

Timber _____

Fishing/Aquaculture _____

Recreation/Tourism _____

Agriculture _____

INVEST OUTSIDE

b. What was your objective for selecting that particular sector? Please rank check those aspects of concern to you which you feel the state should address.

~~Provides employment~~ *it would create more jobs*

~~Increases personal income~~ *" " give me an opportunity to make more money*

~~Increases (or doesn't decrease) recreation potential~~

~~Promotes varied lifestyles~~

~~Stimulates overall economic development~~

it would promote more Alaskan ownership of business and control

it would ensure availability of Alaskan resources for in-state use
~~Preserve environmental quality~~

~~Minimizes migration into Alaska~~

it would not encourage more people to come to Alaska

~~Promises long term community and job stability~~

David and - They'll say yes anyway

c. How should the state go about using the Permanent Fund (or other state loan programs) to *support the ind. you chose* intervene in the economy to achieve *THE OBJECTIVES DETERMINED FOR IT BY THE LEGISLATURE?* public purposes?

- a. Market interest rate loans to any enterprise which can pay back the loan plus interest.
- b. Market interest rate loans to only a certain set of enterprises chosen by the legislature.
- c. Lower than market interest rate loans to a certain set of enterprises chosen by the legislature.
- d. State organizations to assist certain sectors collectively, on a fee for service basis, to provide such services as marketing, organization, information, technical aid, research efforts, etc.
- e. Joint ventures with private enterprise for the state to share ownership, control, and profit potential.
- f. State owned and operated enterprises in certain set of enterprises chosen by the legislature.

*a. make money
cheaper
b. make money
to come back
terms
c. State aid
d. State owned
venture*



Q.A.

d. The Permanent Fund is your money. The state holds it in trust for your benefit. In addition to telling the state how you would like your money used, you can also tell us how much control you think people ought to retain over the decision - making process established for the Fund. Of the following basic alternatives, which one do you feel will provide you with the appropriate degree of accountability and control over the Fund's management?

- a. Direct control by the legislature.
- b. Direct control by the Governor (through a state agency).
- c. Direct control by citizens.
- d. Indirect control by a state corporation.

Should the Permanent Fund be administered at the local _____, regional _____, or State _____ level? (check one)

PERMANENT FUND QUESTION

1. In order to refine last year's Public Forum results regarding the use of Permanent Fund monies, please indicate the one area you ~~most strongly~~ ^{would like to see} support for investment of part of the Permanent Fund.

~~INSIDE THE STATE~~

A. Fisheries

B. ~~Alternative energy~~ ^{alt. Energy} development

large scale (industrial) ~~RESID.~~
 small scale (residential)

C. Agriculture

D. ~~Mineral Extraction~~ ^{Mineral extraction}

E. ~~Recreation/Tourism~~ ^{Tourism} ~~FISHING~~ ~~INVEST~~

F. ~~Basic Industry~~ ^{OTHER} (i.e.) oil refining, coal export, aluminum

G. ~~Invest Outside in safe, guaranteed manner~~ ^{make low risk/high return investment}

~~TIMBER~~ ^{LAND} ~~INVEST~~ i. other

I 0
 growth no growth
 risky safe
 pub. poly private bus
~~to pub.~~

2. INVEST OUTSIDE

Now that you have indicated your preferred area will you please tell us why you chose this area?

- A. It would create more jobs.
- B. It would give me an opportunity to make more money.
- C. It would give the state the ~~best~~ ^{best} return to be used to pay for the ^{help} operation of our government. ~~in any other purpose~~
- D. It would not encourage more people to come to Alaska.
- E. It would not harm the environment.
- F. It would increase the availability of Alaskan resources for in-state use.
- G. It would promote more Alaskan ownership and control of business.
- H. Other _____

→ ~~KEYS government out of the economy~~
~~Less gov't intervention in business~~
~~Less gov't intervention in business~~
~~Less gov't intervention in business~~

General

1. Do you believe that the government should use the permanent fund to actively intervene in the State's economy to pursue public policies?

a. If yes, how:

- market interest rate loans to any enterprise which can pay back the loan plus interest
- market interest rate loans to only a certain set of enterprises chosen by state policy - makers
- subsidized loans to chosen sectors to achieve clearly stated goals
- state organizations to assist certain sectors, such as state marketing, organizing, or information efforts, or technical aid or research efforts, etc.
- state owned and operated enterprises in chosen sectors

b. If no, what should the state do with the permanent Fund?

- put it in a savings account
- invest it in securities
- other

2. The permanent fund consists of two basic parts - principle and income. The principle is that sum which goes into the fund from oil revenues and is put to work (invested) to earn a return and perpetuate itself - i.e. it is permanent. The income is the return on those investments. Presently, the principle is expected to be _____ in 1977 and grow to _____ by 1985. Income from these funds, if invested at 8%, would be _____ in 1977 and _____ in 1985.

Consideration of the uses of the fund should be broken down into uses appropriate for the principle and for the income.

a. Regarding the principle, which alternative uses do you favor:

- Investments which maximize income, yet are secure and relatively riskless
- Investments which sacrifice some income in the pursuit of social objectives (e.g. subsidies to renewable resource industries, heavy industry, or consumers), yet are still relatively safe

b. Regarding the income, which alternative uses do you favor:

- Return it to the fund to earn money
- Return it to the General Fund for the legislature to use to pursue social objectives as it sees fit.
- Have the legislature earmark it for existing and new state loan programs
- Distribute it to Alaskans through an Alaska, Inc. type program
- Some combination of the above

c. Regardless of whether the fund maximizes its return or is used to subsidize, are there areas of the state's economy you wish to see supported or discouraged through the permanent fund?

Heavy industry (coal development, aluminum refining, oil refining, petrochemicals, uranium refining, dams)

Light Industry (electronics,

Retail Trade (cooperatives,

Fishing

Timber

Hard - rock mining

Tourism

Agriculture

d. In the previous question, you expressed your preferences about various sectors of the Alaskan economy. For the sectors which you prefer, why do you prefer them? For the sectors you disfavor, why do you disfavor them?

(write sector in column)
Prefer Disfavor

Employment potential

Personal income potential

Growth-inducement potential

Personal stakes

Lifestyle implications

Impact on recreation values

Impact of environmental quality

Impact on immigration

ALASKAN OWNERSHIP
Other

e. In the previous Public Forum, renewable resources received considerable public support as an area for state intervention.

Permanent Fund Questions.

In the previous Public Forum workshops, renewable resource industries received considerable support as an area for state intervention.

I. In order to refine last year's Public Forum responses regarding the type of economic development preferred, please indicate the one industry you most strongly support for an investment of Permanent Fund monies.

1. Fisheries / aquaculture
2. Timber
3. Aquaculture
4. Tourism / recreation
5. Hydroelectric projects
6. Heavy industry such as oil refining, coal development, aluminum, etc.

II. In the previous question you expressed your preference for an industry to receive Permanent Fund support. Would you please indicate why you chose that industry? ~~any of the~~

1. It would create more jobs.
2. It would preserve the natural environment & recreation.
3. It would not encourage more people to come to Alaska.
4. It would give me an opportunity to make more money.
5. It would increase the availability of power (energy) in the state.
ownership / control.

III.

If the Permanent Fund were used to support a preferred industry how should it be done?

1. loan at market rate of interest
2. subsidized loan at ^{or} below market rates of interest
3. regional ~~bank~~ development corporation

PERMANENT FUND CONTROL QUESTION --- DRAFT

Permanent Fund policy will have to be set by someone. The most likely management structure is an investment committee to make decisions on each investment, with a policy committee to set broad guidelines. Because the Permanent Fund is public money, those who set ~~the~~ policy must be accountable to the public. Based on this, which of the policy board possibilities do you prefer?

1. A board which serves at the pleasure of the governor? This means appointment by the governor, confirmation by the legislature, with the governor having the authority to ^{hire} fire.

2. A board appointed by the legislature, responsible to it?

3. A board chosen by various segments of public representation?

An example would be a seven-member board with two ~~two~~ members appointed by the governor, two by the legislature and three directly elected.

4. A board appointed by the ~~legislat~~ governor and confirmed by the legislature with strict regional (geographic) apportionment?

5. A committee of the legislature?

(6) Renewable Resources - Add new categories

A. portion (2) of profits of resource development that existing residents receive

B. life style (ie open pit mine vs. fishing)

C. generation of knowledge about resources (ie. forestry school at U of A)

D. Research & Development function

E. increased productivity of existing resource useage (ie. using fish waste)

F. Add energy (renewable) as category wind, tide, geothermal etc.

PERMANENT FUND CONTROL QUESTION

3PDP

*Not sure
Not answered
by committee*

In order to assist the legislature in creating a Permanent Fund structure responsive to your wishes, please indicate the Permanent Fund organization you prefer. For this question you should know the policy board would set broad guidelines for investment of Permanent Fund money but would not make specific investment decisions.

1. A board appointed by the governor and serving at his pleasure.
2. A board appointed by the governor for a specified length of service.
3. A board appointed by the governor and confirmed by the legislature.
4. A board chosen from various segments of the political spectrum (an example would be two members from the administration, two from the legislature, three from the general public).
5. A board directly elected by the public.
6. Other _____

Now that you have indicated your preference, please tell us why you chose it.

1. I trust the governor to choose wisely.
2. I trust the legislature to choose wisely.
3. I trust the governor and legislature working together to choose wisely.
4. I want broad representation.
5. I think direct representation of political interests is good.
6. I want maximum opportunity to choose the board.
7. I want the board insulated from politics.
8. Other _____

① should state intervene
② How ~~project~~ ^{project} ~~value~~ ^{value} + criteria
Source Management.

What should be the role of the State government in
term of population growth?

What should the State do about population increases.

1. Encourage through support of industries that
create jobs.

2. Encourage through the development of ~~the~~ more
efficient and expanded transportation system

3. Discourage by limiting State spending.

4. Discourage through ^{increased} taxation

5. Nothing.

- OR -

If a new company wanted to build a plant in Alaska what
kind would you prefer?

- A. Small + not bring ^{many} new job opportunities
B. medium + could create jobs for about 100 people
C. large + could bring 500 new job opportunities.

Would your answer be the same if the plant could produce
something at a lower price than it now costs to produce and
ship from outside Alaska?

- What would be your answer if the plant (environmentally hazardous)
- produce waste that could not be handled by local sewer system
 - produce water vapor that turned to ice fog
 - generated dust
 - sulphur fumes

The cost to the plant of controlling the X might be very high.
Suppose the state had to choose between the new jobs and the X. What sized plant would you prefer?³

- A. Small
- B. Medium
- C. Large.

BORO - [Environment - new jobs]

Table 5
Pursuit of Alaskan Lifestyle
vs. Attitudes Toward Growth (1)
(percent distribution)

		Pursuit of Alaskan Lifestyle				
		Most				Least
		<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>
1.	Size of Plant Desired (2)					
	Large plant 400 jobs	28	35	46	49	47
	Medium plant 100 jobs	38	33	37	32	38
	Small plant no jobs	28	18	9	13	7
	No plant	6	14	8	6	8
		<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
	Number of respondents =	69	78	85	87	86
	Gamma = .14					
2.	More Jobs Versus Less Ice Fog (3)					
	400 jobs, heavy ice fog	10	15	19	22	24
	100 jobs, less ice fog	40	33	58	43	40
	No jobs, no additional ice fog	50	52	23	35	36
		<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
	Number of respondents =	68	76	84	85	84
	Gamma = -.17					
3.	Jobs Versus Taxes (4)					
	400 jobs, 10% tax increase	12	19	18	23	33
	100 jobs, 5% tax increase	45	34	58	40	33
	No jobs, no tax increase	43	47	24	37	34
		<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
	Number of respondents =	67	78	84	84	86
	Gamma = -.17					
4.	More Jobs Versus More People (5)					
	400 jobs, 300 families	18	24	20	29	31
	100 jobs, 20 families	34	33	54	45	39
	no jobs, no families	48	43	26	26	30
		<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
	Number of respondents =	67	80	85	84	86
	Gamma = -.17					
5.	More People Versus Lower Prices (6)					
	300 families, 20% price drop	25	33	34	36	53
	100 families, 5% price drop	32	30	44	41	25
	no families, no price drop	43	37	22	23	22
		<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
	Number of respondents =	68	80	85	84	85
	Gamma = -.22					

Table 5 (continued)

	Pursuit of Alaskan Lifestyle				
	Most				Least
	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>
6. Desired Growth of Fairbanks					
Great deal	10	6	18	13	18
Some	49	49	49	55	51
Little	19	22	21	18	17
None	22	23	12	14	14
	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
Number of respondents =	69	79	85	86	87
Gamma = .14					

⁽¹⁾The Pursuit of Alaskan Lifestyle variable is constructed from responses to six questions concerning the provision of food, shelter, repairs and transportation. The questions are listed in footnote number 1 of Table 3. Those most oriented to the pursuit of an Alaskan lifestyle are most likely to provide some of their own food, shelter, repairs and transportation.

⁽²⁾Question 1 read, Here are some other situations where we want you to make choices about future development in Fairbanks. Suppose a new company wanted to build a plant north of College Road in Fairbanks after the completion of the pipeline. There are three possibilities for the plant: (CARD 8, ORANGE). First, it could be small and not bring any new job opportunities into the area; second, the plant could create new job opportunities for about 100 people; or third, it could be large and create 400 new job opportunities. Which one would you favor?

⁽³⁾Question 2 read, A decision might have to be made about the amount of water vapor the plant would be allowed to put into the air. During cold weather the water vapor would result in ice fog. The cost to the plant of controlling the ice fog might be very high. Suppose the borough had to choose between new jobs and ice fog. Which of these three conditions would you prefer? (CARD 9, TAN)

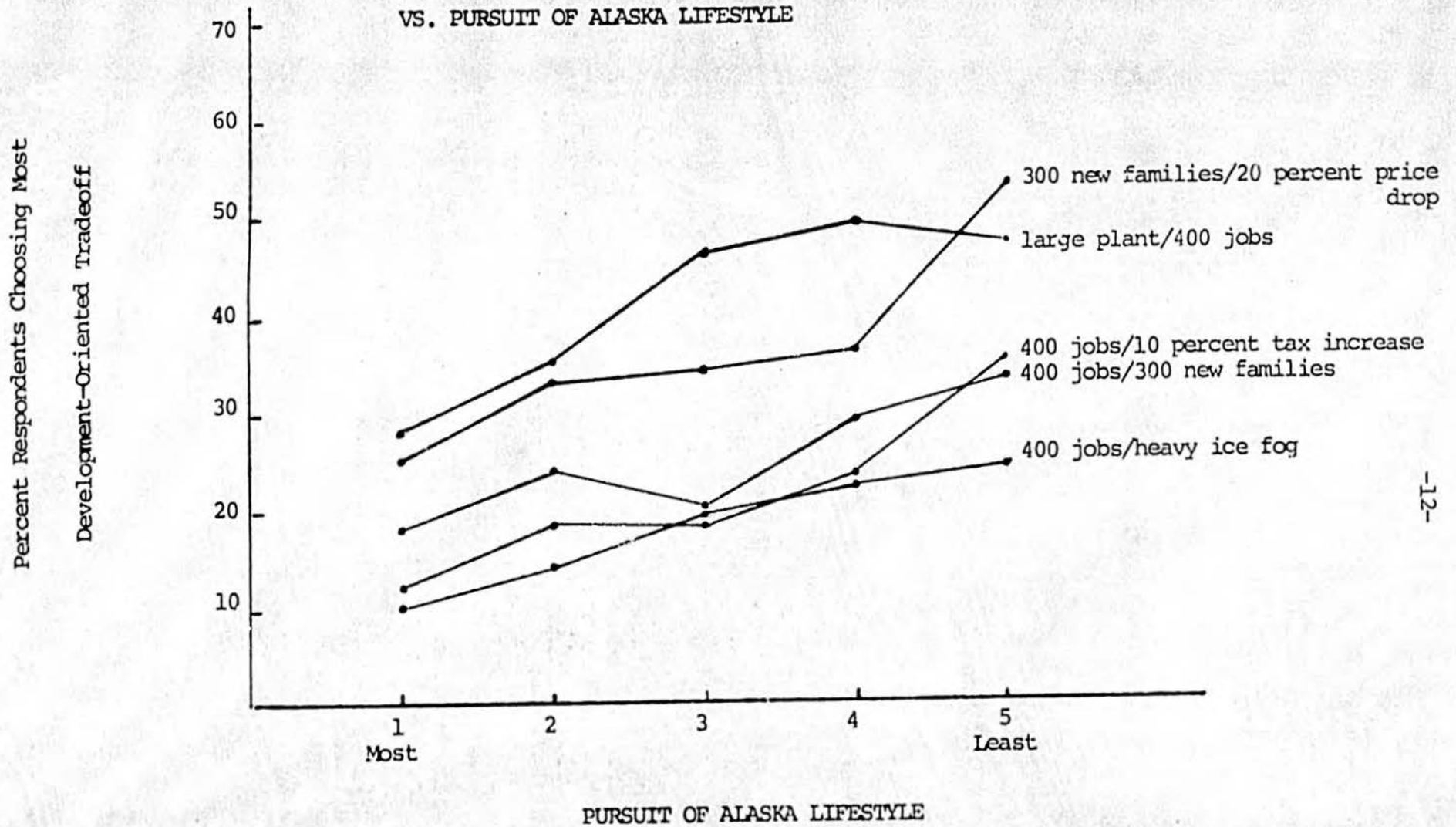
⁽⁴⁾Question 3 read, Suppose instead the borough could choose between new jobs and increasing taxes to pay to prevent additional ice fog. Which of these three conditions would you prefer? (CARD 10, ORANGE)

⁽⁵⁾Question 4 read, Now suppose the plant would attract more workers and their families to move to Fairbanks. Which of these three conditions would you prefer? (CARD 11, WHITE)

⁽⁶⁾Question 5 read, Another possibility is that the plant would produce something at a lower price than it now costs to produce and ship the item into Fairbanks from outside Alaska. Which of these conditions would you prefer?

ATTITUDES TOWARD DEVELOPMENT

VS. PURSUIT OF ALASKA LIFESTYLE



PERMANENT FUND QUESTIONS

I. Excess state wealth from bonuses, leases and royalties will be placed in the Permanent Fund (250) and the General Fund (750).

A. Please rank those areas where you would like to see the Permanent Fund invested.

- | | |
|---|-------------|
| 1. Community Development Investments | <u>Rank</u> |
| 2. Economic Diversification Investments | _____ |
| 3. Savings Account Investments | _____ |
| 4. Other | _____ |

B. Please rank those areas where you would like to see part of the General Fund excess wealth invested.

- | | |
|---|-------------|
| | <u>Rank</u> |
| 1. Community Development Investments | _____ |
| 2. Economic Diversification Investments | _____ |
| 3. Savings Account Investments | _____ |
| 4. Other | _____ |

II. Now that you have indicated your preferences, will you please tell us why you chose this ranking for both question IA and IB?

A. Reason for ranking in Question IA _____

B. Reason for ranking in Question IB _____

III. Investments in Community Development, Economic Diversification and Savings Accounts can vary considerably. Within each category please rank those areas which you believe investments should be made.

- | | |
|---------------------------------|-------------|
| A. Community Development | <u>Rank</u> |
| 1. Power | _____ |
| 2. Water | _____ |
| 3. Sewer | _____ |
| 4. Civic and Convention Centers | _____ |
| 5. Housing | _____ |
| 6. Other | _____ |

- | | |
|------------------------------------|-------------|
| B. Economic Diversification | <u>Rank</u> |
| 1. Fisheries | _____ |
| 2. Agriculture | _____ |
| 3. Mineral Extraction | _____ |
| 4. Timber | _____ |
| 5. Transportation | _____ |
| 6. Tourism | _____ |
| 7. Manufacturing | _____ |
| 8. Other | _____ |

- | | |
|--|-------------|
| C. Savings Account | <u>Rank</u> |
| 1. Invest for maximum rate of return with safety regardless of where or what investment is. | _____ |
| 2. Joint venture with private enterprise for the state to share ownership, control and profit potential. | _____ |
| 3. Own and operate state corporations (large scale projects chosen by the legislature) | _____ |
| 4. Subsidize certain community development and economic diversification enterprises through lower than market interest rate loans. | _____ |
| 5. Make loans to any enterprise which can pay back the loan plus interest. | _____ |
| 6. Make loans to certain enterprises specified by statute. | _____ |
| 7. Other _____ | _____ |

IV. Now that you have indicated your preferences, will you tell us why you chose this ranking for question IIIA, IIIB and IIIC?

A. Reasons for ranking in Question IIIA _____

B. Reasons for ranking in Question IIIB _____

C. Reasons for ranking in Question IIIC _____

NOTE:

NOTE:

NOTE:

- V. A fifth question may be asked on "Accountability and Control" but answers to this question are not as essential or useful as the four suggested above. I would recommend either the luxury of a fifth question or dropping "Accountability and Control" entirely.

ROSE/ 274-7366

6/29/77

Dear Mr. Singer:

The National Film Board of Canada article was based on a number of taped conversations. The section on the Land Claims is disjointed and incomplete, and the part that mentions Andy Chikoyak is in error. Andy was not taking over the SKYRIVER project as indicated in the article. He was trained by me to set up shop as a film maker in the Bethel area, not as a community developer using film and video like I did in Emmonak.

Tim Kennedy

*314 Yorkline
Blvd.*

Syracuse, N.Y. 13219

INSTRUCTIONAL TECHNOLOGY REPORT

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TECHNOLOGY IS THE ANSWER, BUT WHAT WAS THE QUESTION?

By CAO THANH TUNG*

Too often countries are attracted to the use of educational technology strictly on the glamour and gimmickry of the 'hardware', and little reflection is given to clear, concrete plans and the specification of goals and objectives for its use. This approach leads to difficulties once the first 'rosy glow' of excitement over the facilities and hardware subsides and the reality of integrating the technology into programs for educational change and national development confronts the user. Technology, therefore, becomes a problem, and its user must scurry in varied directions identifying questions the technology can answer. To put it in Vietnamese terms the 'plow is placed in front of the ox, rather than behind it'. This was the thrust of a one-month Seminar/Workshop on Planning for the use of Educational Broadcast Media for National Development sponsored by UNESCO in South Viet Nam, June 1-27. Some thirty individuals participated in the Workshop representing the various educational agencies in Viet Nam and practitioners and planners involved in the use of educational broadcasting. The Instructional Materials Center of the Ministry of Culture, Education and Youth in Saigon was the site for the gathering.

The Workshop's objectives were fourfold:

- To give participants a familiarization of the factors and process which influence the effective use of communication media for education and national development.
- To provide participants with opportunities to participate in the development of a plan for solving priority educational problems affecting the national development of Viet Nam into which the use of media should be integrated.
- To give those participants lacking familiarity with basic broadcast studio procedures an orientation.

(continued on page 6)

*CAO THANH TUNG is Deputy Director of the Instructional Materials Center, Saigon, Viet Nam. He has participated in former training courses in ETV at CETO in Australia, Japan and the United States. The Instructional Materials Center is the governmental organization in charge of integrating new media into the national education development of Viet Nam. Assisted and strongly supported by USAID and OTCA, the Center is undertaking various activities for text book production, radio, television and audio visual education.

VIDEOTAPING: PROCESS IN COMMUNITY DEVELOPMENT DISCUSSED BY TIM KENNEDY AT CENTER SEMINARS

Timothy W. Kennedy, Director of the Skyriver Project, was the featured guest of the Information Center on Instructional Technology for two mini-seminars where he screened films and talked about the use of video tape and film in the process of community action.

Skyriver is the name of the video tape/film project of 1971-72 on the Yukon River in Alaska. The setting is the Eskimo village of Emmonak where Kennedy had previously spent two and a half years helping organize a fishing cooperative. In search of ways to strengthen the process of community action, he met the people responsible for the Fogo Island program where the Film Board of Canada and Memorial University had developed a technique of using film and an animator to promote local change. Kennedy got some funding from the U.S. Office of Economic Opportunity to use video tape and film to test out some of the Fogo Island ideas and see whether these visual media could help the Eskimos affect change through their own efforts.

Kennedy is not trained as a film maker; his interest in Skyriver was to get Eskimos first to articulate their problems, then to agree by consensus on their most important problem and finally to act in unison to get government officials to respond. Group consensus and action had been absent in Emmonak; village factions, feuds, and the individual's sense of powerlessness in the face of government were the norm. The visual media were used, therefore, to fortify the villagers' efforts and became the tool to achieve the ends of community power and government accountability.

The key word during the ICIT seminars was PROCESS. What is done and how it is done are the main factors in this process. While the aim of most, if not all, film makers is to create a distinctive product, Kennedy's main concern is to establish a process of community development in which video taping and filming play a role. The local people control the tempo of the process as well as make the fundamental decisions on how, when and where the media will be used.

Another important aspect of the process is the matter of accountability. When a person is taped or filmed, no one else gets to see the tape or film until the individual first screens it personally and then signs a release statement. The individual has complete editing control, and has the last word as to what is cut or not.

(continued on page 3)

The May 1974 issue of *Instructional Technology Report* was devoted to reviewing a series of analytical studies done by Wilbur Schramm and staff members of the Institute for Communication Research, Stanford University, on learning, cost and field projects using media in education. Laurence Wolff prepared the review report for the Bureau for Technical Assistance, Agency for International Development. Due to limitations of space in that issue, two projects designed to extend educational opportunity in Mexico were not included and are reproduced here.

RADIO SCHOOLS OF THE TARAHUMARA, MEXICO PROVIDE VILLAGES WITH PRIMARY EDUCATION

According to "*The Radio Schools of the Tarahumara, Mexico: An Evaluation*", by Sylvia Schmelkes de Sotelo, Catholic missionaries founded the radio schools of Tarahumara in northern Mexico to provide the remote villages of the Tarahumara Indians with primary school education. In 1971 there were 46 schools with 1,081 students spread over 10 municipalities in their region. Most of the schools consisted of a single classroom containing students from grades 1 to 4.

The standard primary school curriculum is used and all instruction is in Spanish. Two teachers at the radio station teach all of the radio programs, which consist of 15 minute presentations by subject and grade. Each school which receives the broadcasts has one or two "auxiliary" teachers — persons with usually no more than a primary education.

The researchers tested and interviewed a sample of all the students in the schools. They found that over 60% of the students were *mestizo* (white) rather than Indian. They also found that, while achievement scores in general were similar to those of students in Mexico City, the *mestizo* students did significantly better than Indians and were also much less likely to drop out.

Interviews with teachers and directors showed that the program had the following problems:

- Poorly defined goals and policies.
- Provision of the same urban oriented and academic curriculum to two culturally heterogenous groups, the Tarahumara Indians and *mestizos*.
- Low motivation by the auxiliary teachers.
- Little local participation in founding and operating the schools.
- Lack of proper supervision and evaluation.
- Lack of sufficient finances to enable authorities to do middle or long-range planning.
- Insufficient time on the part of central personnel to handle the radio schools.

In only 7 of the 24 schools visited was the radio working. Thus the bulk of the teaching was being done by the auxiliary teachers, and the radio, even when used, operated as an aid to the teacher.

These findings called into question the entire scope of the radio schools.

When the researchers presented their findings, the missionaries at first began to plan for a new kind of non-formal school, which would provide Indian adolescents and adults with an awareness of their situation and their need to improve their lot, based on the concepts outlined in Paulo Freire's *Pedagogy of the Oppressed*. Then the missionaries decided to continue to teach primary school children and to develop adult education as a separate activity. They appeared to be motivated by a desire not to abandon the work of the last 15 years, even though its value had been called into question.

As of the writing of the Stanford report, the new direction of the radio schools had not been determined.

RADIOPRIMARIA: PILOT PROJECT IN MEXICO USING ONE TEACHER PLUS RADIO TO TEACH GRADES 4-6

According to "*A Report on the System of Radioprimeria in the State of San Luis Potosi*", by Peter L. Spain, the purpose of the *radioprimeria*, a pilot project of the Mexican Secretariat of Education begun in 1970, is to provide instruction in grades 4, 5 and 6 to rural schools which have had only the first three grades of primary school. The incomplete primary schools provide one teacher for grades 4 to 6 who is assisted by the radio programs. The programs are prepared regularly in Mexico City and then transported to a university-operated radio station in San Luis Potosi where they broadcast for 90 minutes a day.

The Stanford study of *Radioprimeria* utilized the following methods to evaluate the radio schools in the context of educational needs in rural areas: direct observation; achievement testing; analysis of the costs; questionnaires and interviews.

The most important finding was that the *Radioprimeria* was not fulfilling the function for which it was designed. In 1972 only about eight incomplete primary schools had established grades 4 to 6 to take advantage of the radio lessons. Another 36 complete primary schools were using radio, essentially as an adjunct to their regular teaching. In addition, only 18 of the 44 schools using radio had a functioning audible radio on the day they were visited. Since there was little or no supervision, the program personnel in Mexico City were not aware of these problems.

Another major problem was that, since 80% of the programs were prepared for all of grades 4 to 6, the students would hear most of the same programs over the three year period.

Other findings were as follows:

- Radio instruction produced achievement scores comparable to those of the children in direct teaching schools.

(continued on page 3)

(continued from page 1)

VIDEOTAPING AS PROCESS

After a person releases the tape, the community group screens it and reacts to it. Any member of the group may add to the tape already made. The talking about village problems and the taping of these discussions have the effect of consciousness raising and direct disputes and hostility away from the people themselves to the tapes. (Eventually people in Emmonak began to see common problems and feel a sense of community when before the taping this was not true.) Once the community arrives at a common problem and discusses it fully, it proposes a solution to the problem. Film is used during this part of the process because it is considered more powerful than video tape, since screening a film demands an environmental change for the viewer - a government official must leave his desk and telephone to see a film in a darkened room which is not true for video tape screening. Black and white film, instead of color film, is used because Kennedy has found that viewers can more easily get the critical information from it. Also, the use of film slows down the process at a time when it has attained a great amount of speed. The developing of films takes time and this time gives the villagers the opportunity to really think through what they have said, and be sure what they have said represents how they feel and what they want.

When the policy makers, far from the village, screen these films, they hear the articulation of a perplexing problem and are given a solution to it as well. According to Kennedy, this approach does not throw policy makers on the defensive nor do they see this complaint as just another gripe. After government officials and neighboring villagers see a film, their responses are video taped. They enjoy the same rights of accountability and editing as the Emmonak villagers. These people are not obligated to give instant replies to Emmonak film; they may take as much time as necessary to talk out their ideas before they are ready to give a reply. This process, therefore, creates a direct channel of communication, horizontally between village level people and vertically between villagers and government officials working hundreds of miles away.

Three types of film were shown at the Center seminars: a direct communication (process) film, an oral history film, and an entertainment film. The first type gives non-Eskimo people their first opportunity to see and hear village Eskimos articulate their problems. In this particular film the Eskimo chosen by the group to discuss the problem objects strongly to sending his daughter to a boarding school 5,000 miles away: "she will be gone too long at a time and will forget her Eskimo ways; she cannot help with the work at home; and she may die far from home and will not be seen again." His solution is to have regional secondary schools which will be close enough for the children to come home on the weekends. Kennedy said that when education officials saw the film, they were shocked at the information and were so moved by the presentation that a centralized boarding school plan eventually was abandoned in favor of the Eskimo solution of regional secondary schools.

The oral history films also have a dramatic effect. This time the effect is on the Eskimo communities. Their ways had been discredited with the arrival of the American culture. The oral history film has an elder who recalls witnessing a native doctor heal a woman and he tells how he himself was healed by this kind of medicine. This film serves as the catalyst for other people to recall with pride incidents of native culture that had become taboo subjects. Furthermore, the oral history film begins bridging the gap between the generations. The young people are asking, even pleading with, their elders to recall the past. According to Kennedy, this type of film has been helping to restore pride in Eskimo ways and is providing the only record of Eskimo culture that in great part will be lost with the death of this generation.

The entertainment film was filmed by children in Emmonak. The film was essentially children filming themselves at play. The villagers watch films like this one to provide a needed amount of entertainment and a more relaxed atmosphere for the screening of the other types of tapes and films.

(continued from page 2)

RADIOPRIMARIA

- The *Radioprimary* would cost about \$52.60 per student compared to \$118 for traditional instruction.
- About 75% of the *Radioprimary* teachers commuted from the city to the rural areas and did not like teaching in the rural areas. They were not very satisfied with the radio programs, but still favored their expansion.
- Parents favored schooling for their children principally as a means to move to the city and get better jobs.
- In the city of San Luis Potosi there are not enough jobs for primary and secondary school graduates.

Even though *Radioprimary* has survived for three years, as presently constituted it will not be able to aid rural development. According to the study, rural life will improve only when there is a coordinated attack on rural social and economic problems.

Instructional Technology Report, published bi-monthly, is the official newsletter of the Information Center on Instructional Technology. The Center serves as an international clearinghouse for materials and information on important developments in the use of technology for improving education around the world. The Center is operated by the Academy for Educational Development, a private non-profit organization, and is supported by the Bureau for Technical Assistance of the U.S. Agency for International Development.

The Director Reviews

**SIGNIFICANT NEW DOCUMENTS
ON EDUCATIONAL TECHNOLOGY**

Community Media Handbook, A. C. Lynn Zelmer, The Scarecrow Press, Inc., Metuchen, New Jersey, 1973, 241 pp.

This small volume is a basic "how-to" book on media utilization with good U.S. cost figures. This handbook grew out of a series of workshops for media users whose interests ranged from the use of television to the design of simulations to the production of simple motion pictures. The solutions to media-user "how-to" problems are framed in a context of developmental use by community members with limited funds so the solutions could well apply to developing countries where technical skills and funds are in short supply. Equipment needs, program planning, script writing and production are discussed along with a good presentation on selecting among alternative media.

For additional information, Mr. Zelmer can be reached at the International Communications Institute, P.O. Box 8268, Station F, Edmonton, Alberta, Canada.

Attacking Rural Poverty, How Nonformal Education Can Help, Philip H. Coombs with Manzoor Ahmed, a Research Report for the World Bank prepared by the International Council for Educational Development, The Johns Hopkins University Press, Baltimore and London, 1974, 292 pp.

The focus of this study is on types of educational efforts outside the formal school system which seem to offer potential for helping in the monumental tasks of rural development. The study looks especially at programs designed to increase the skills and productivity of farmers, artisans, craftsmen and small businessmen.

Chapter ten: Improving the Technologies of Nonformal Education bears directly on the areas of information which are the responsibility of the Information Center on Instructional Technology. This study uses the term "educational technology" in the same context as the Center, as "all the various means and methods that can assist an educational process to accomplish desired learning results." In this area, the study led to the following basic conclusions:

- Nonformal education has an extraordinary capacity to use an almost infinite variety of educational technologies;
- Nonformal education has tended to cling to traditional, costly and inefficient means and methods;
- A major cause of economic bottlenecks to expanding nonformal education is the overreliance on face-to-face instruction of learners by teachers. Print materials plus radio can be mighty effective;
- The main emphasis in seeking to improve technologies for education in poor rural areas should be on promoting the ingenious use of effective, low cost technologies that already exist and not on introducing sophisticated new, expensive media.

Mass Media in an African Context:

An Evaluation of Senegal's Pilot Project, Reports and papers on Mass Communication No. 69
UNESCO, 1974, 53 pp.

This case study of the pilot project covers the years 1965 to 1970. The basic purpose of the project was "to place modern techniques at the service of adult education, laying particular emphasis on Senegal's requirements." Television was considered a service to society on a par with education, health or public administration. However, the price of television and the uncertainty about its benefits have prevented the government from continuing and extending the pilot project.

Self-help rather than greater government assistance was the object of the television project. The main problem, however, was the gulf which separated the people from the administrators and their inability to make themselves heard or have their demands satisfied.

The training of the staff involved the mastery of the technical conditions, adaptation to the needs of the audience and exploration of problems involved in using Wolof as the language of television. The project staff was called upon to work in two languages and in two cultures. When the producer felt he was a "servant of the country" and needed to "follow its traditional patterns", the drama format seemed to emerge as the best way to present ideas and information in a realistic and useful fashion.

In addition to good programming, it was found that success of the teleclubs depended on the quality of the television reception and the capability of the group leader. And finally, the report concludes, "The effectiveness of the medium of communication depends essentially on the overall organization of services into which it is integrated and the socio-political framework in which it operates."

A General Information System for Educational Technology (ETGIS): A Conceptual Scheme, Margaret E. Chisholm, Dean, School of Library and Information Services, University of Maryland and Donald P. Ely, Director, Center for the Study of Information and Education, Syracuse University, U.S. Office of Education No. 74-401.

Even though its focus is on a system for the United States this document provides useful insights on the importance of collecting and classifying data for developing country planners who are considering educational technology as an integral part of the education process. The U.S. has a problem because its uses of educational technology cover many years of practice and include many definitions of what makes up educational technology. Developing country planners, on the other hand, have the advantage of being able to gather base line data from the beginning with their new systems and this publication offers them excellent planning guidance both in the text of the document and in the eleven critiques of the conceptual scheme which are included. The document is available for \$1.00 from the U.S. Government Printing Office, 1974:546-477/2039.

Instructional Efficiency: A Means for Reducing Formal Classroom Time, Seameo Regional Center for Educational Innovation and Technology (INNOTECH), Saigon, Viet Nam, P.O. Box 3049, May, 1974, 71 pp.

INNOTECH is exploring various approaches to solve the problem of mass delivery of primary education including development of means for deriving core educational objectives so that the curriculum itself can be pared down to essentials to be learned; second, minimizing use of formal classrooms and modifying the teacher's role to one of managing the self-instruction of a large number of children with the assistance of community members, parents and peer tutors (Project IMPACT); and third, Reduced Instructional Time (Project RIT) through development of an instructional process that will increase learning rate and/or reduce formal classroom time.

This volume is a collection of papers by outstanding educators from the United States, Great Britain, Vietnam and Singapore striving to answer the question "Using current instructional objectives, how can the instructional process in primary education be made more efficient and effective without increasing costs?"

* * *

To our French readers: we urge you to acquaint yourselves with the publication *DIRECT* and, for your convenience, include a copy of their order blank, reprinted from their publication:

Getting to Sesame Street, Origins of the Children's Television Workshop, Richard M. Polsky, Sponsored by the Aspen Program on Communications and Society, Praeger Special Studies in U. S. Economic, Social and Political Issues, New York, Washington, London, 1974, 139 pp.

"Sesame Street", the U. S. educational television series for three to five year olds, is quoted world wide as an example of outstanding programming and successful use of the medium for teaching children cognitive skills. The program has been adopted by many countries and adapted by many others (Plaza Sesamo, Vita Sesamo, Sesamstrasse, etc.). This important document details the preplanning efforts that went into this project of the Children's Television Workshop and highlights the need for sufficient lead time for planning, dedicated leadership, knowledgeable technicians, sensitive educators and sufficient funding to be brought together to insure success.

Polsky's book describes primarily the two years from 1966 to 1968 when the idea of a cognitively-based children's television show was examined for its feasibility, a formal proposal written, financial support secured, expert advice sought, personnel hired, and the project formally begun. By concentrating on this period the author was able to examine how decisions made early in the planning affected the show and its subsequent evaluation. The distinguishing features of this planning operation were: a small group of planners, a high degree of professionalism, clearly stated objectives, a degree of flexibility and a system of checks and balances.

pour recevoir direct

Si vous croyez que *DIRECT* peut intéresser certaines de vos connaissances, certains de vos amis ou collègues de travail, n'hésitez pas ! Communiquez-nous leurs noms à l'aide de ce coupon et c'est bien volontiers que nous les inscrirons sur notre liste d'envoi.

Attention toutefois, notre tirage est limité.

C'est pourquoi nous nous réservons le droit de servir en priorité les gens pour qui ce bulletin est fait : les praticiens et les techniciens de l'enseignement, les chercheurs en technologie de l'enseignement et en particulier ceux qui n'ont pas accès facilement aux sources d'information habituelles.

RENOYER CE COUPON A L'AGENCE DE COOPERATION CULTURELLE ET TECHNIQUE, CENTRE D'INFORMATION ET D'ECHANGES TELEVISION, 39, BOULEVARD DE MAGENTA, 75011 PARIS, FRANCE.

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(continued from page 1)

TECHNOLOGY IS THE ANSWER

- To generate a series of follow-up activities which the IMC can continue throughout the upcoming year in the upgrading and in-service training of its staff and its continuing effort to integrate the use of media into the solution of Vietnamese national development problems.

The Seminar/Workshop, within a limited period of a month's time, provided the participants with a better understanding of the conditions which surround any successful broadcasting system in its attempt to serve education. These have been, unfortunately, not fully taken into serious consideration in the country of Viet Nam during its earliest days of in-school broadcasting. This situation contrasts markedly with the use of educational broadcast media in the countries of El Salvador, Mexico, Brazil, Guatemala, Singapore, Malaysia, Japan and Korea, which were presented as case studies to the participants. Particular attention was given to identifying Vietnamese educational problems and developing plans in which broadcast media and other low-cost educational technology could effectively be used as part of a solution. Major presentations were given on the process of planning, specification of objectives and research-evaluation strategies. The course content and major activities were developed by a coordinating committee of the Instructional Materials Center with the assistance of Norman McBain, the UNESCO Regional Broadcasting Adviser to Asia, and Henry Ingle, special consultant to the Seminar from the Information Center on Instructional Technology, Academy for Educational Development, Washington, D.C.

Did the Seminar achieve its objectives? What actions may be taken as follow-up after the closing of the Seminar? To get this answer, we have but to look at

final projects which the participants developed toward the end of the Seminar/Workshop in which they were asked to develop detailed plans using media to help solve specific educational problems in Viet Nam.

The Seminar concluded on a positive note with the participants presenting plans and guidelines for a more effective use of Viet Nam's existing broadcast facilities, looking at successful experiences in other developing countries and at local Vietnamese conditions. The participants arrived at proposed actions they felt relevant to improving educational broadcasting. For such improvement, the participants concluded that ingredients of the following nature are needed in Viet Nam:

1. intra and interministerial cooperation and coordination at all levels within the country.
2. permanent institutionalization of personnel training in production, utilization, research and evaluation.
3. an inventory of available resources and possible outside funding assistance.
4. a thorough assessment study of Viet Nam's principal needs for national development, including those of education, health, nutrition and agriculture as well as industry.

With this in mind, the UNESCO Seminar - comprehensive in its content and diversified in its participation - conducted for the first time in a war torn member state was concluded. The hope is that this forum for discussion will be followed by action. This remains to be seen for Viet Nam is not a typical developing country. It is a country at war where resources are limited and the morale is low. But clear thinking is a pre-requisite to appropriate action, and this the Seminar/Workshop certainly has provided. The Seminar has greatly contributed to a more serious understanding of what is needed for an effective use of communication media in national development.

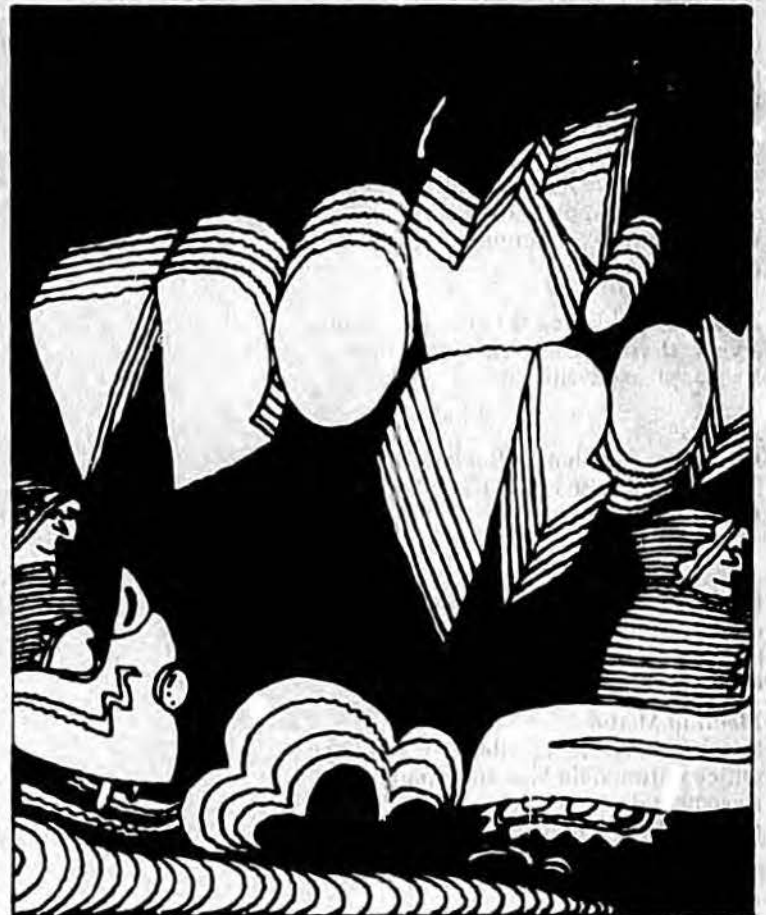
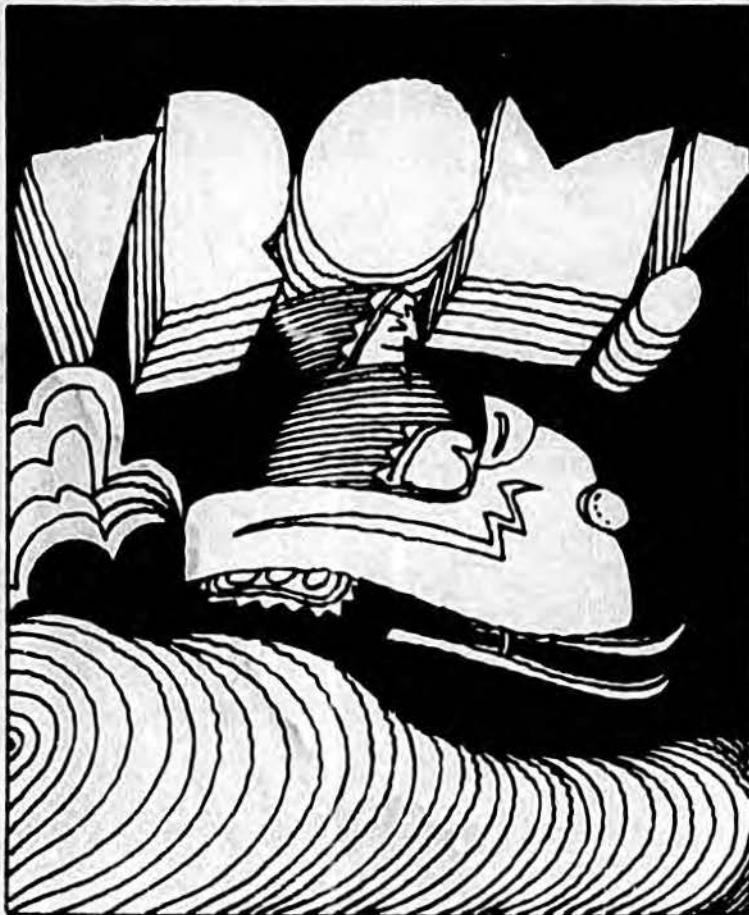
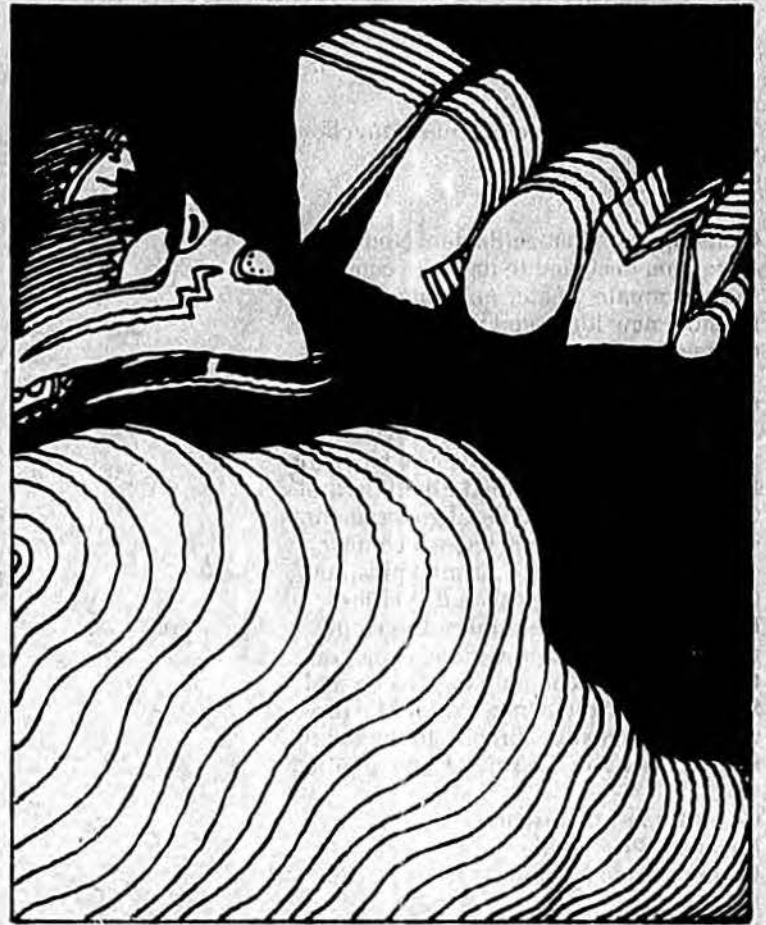
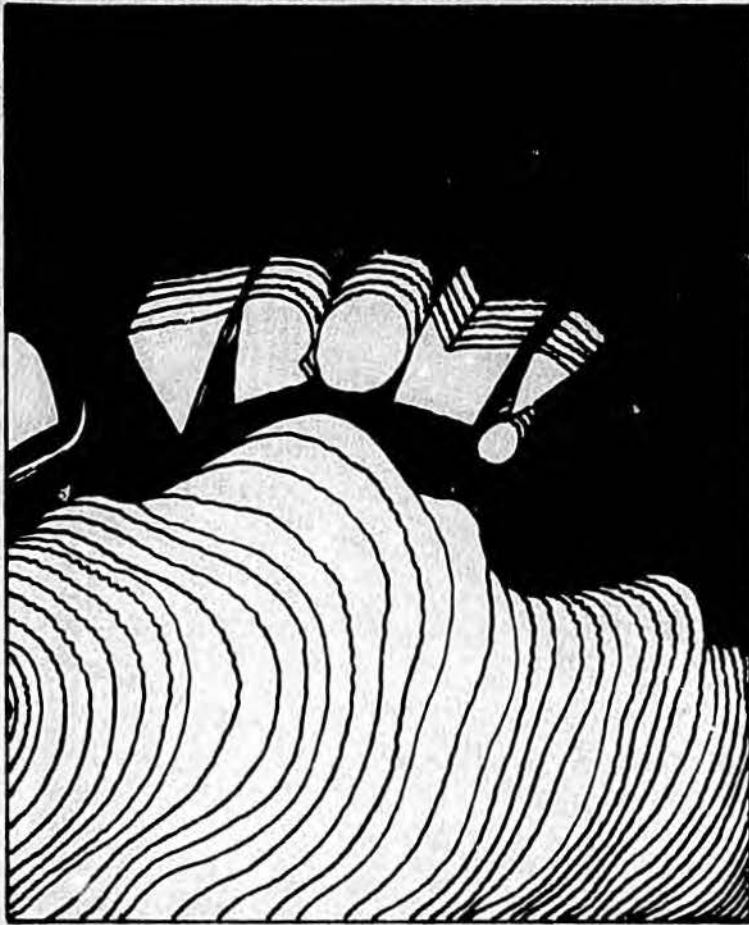
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THE INFORMATION CENTER ON INSTRUCTIONAL TECHNOLOGY
Academy for Educational Development
1414 22nd Street, N.W. Washington, D.C. 20037

Challenge for Change/Societe Nouvelle Access

National Film Board of Canada

Summer 1973



Access
Challenge for Change/Société Nouvelle
Number 12
Summer 1973

Challenge for Change/Société Nouvelle:
a program designed to improve communi-
cations, create greater understanding,
promote new ideas and provoke social
change.

Challenge for Change/Société Nouvelle is
an experimental program established by
the Government of Canada as a partici-
pation between the National Film Board of
Canada and certain federal government
departments and agencies, which now
comprise: Agriculture, Communications,
CMHC, National Health and Welfare,
Indian Affairs and Northern Develop-
ment, Labour, Manpower and Immigra-
tion, Regional Economic Expansion and
Secretary of State/Citizenship. The pro-
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SKYRIVER
An Experiment in Change
DISTRIBUTION RELEASE

based on the discussions held in the community of Emmonak
during the month of January-1977 it is agreed that the film/
tape Frank Kameroff is a fair representation
MALES INTO NEW HOME of the opinion(s) held by the people in this community; also
based on the discussions held in this community we want the
fil/tape distributed to:

- Alaska State Housing Auth
- State Legislature
- Governor
- Housing & Urban Development (HUD)
- Other villages

General Public
AUCP

Laurie Jean O'Connell

PRESIDENT CITY COUNCIL SKY RIVER F
Film Subject Release Agr

my views and opinions and I will allow to
seen by others.

Joey Johnson
Lizbeth Johnson

The Skyriver Project

The Story of a Process



Tim Kennedy spent seven years in Alaska with projects funded by the U.S. Office of Economic Opportunity.

During that time he developed close personal relationships with villagers, policy-makers and legislators in the Yukon river delta, the state capital and Washington.

These associations give him a vantage point for forming a perspective of the human condition in an Alaskan context. In the following articles he describes the Skyriver project, and makes observations about life in the past and present for Alaska's native people, along with some prospects for the future.

Tim Kennedy has recently joined the Challenge for Change program as a producer. He is welcome.

Basically the Skyriver project uses 16mm film and half-inch video as tools to build community strength. For the past two-and-a-half years, we have attempted to provide access to both video equipment and a professional film crew for Eskimo village people, particularly in the lower Yukon river area of Alaska. Skyriver goes into a community completely open-ended, not being afraid of the ambiguity of the situation that's going to develop.

It Grew Organically

I had already spent two-and-a-half years in the lower Yukon before any video equipment was brought in and the program really grew out of that experience in a kind of organic way, based on my involvement with people in Emmonak. I went there first as an organizer for a fish marketing co-op. People wanted to challenge the Seattle merchants, the Seattle Cannery operation there.

It was a fairly classic kind of exploitation. The people's nets and everything were owned by the company, and they had to get their food from the store owned by the cannery - it was the only place that would give them credit - and then that was deducted from the price paid for their fish at the end of the year. Usually their fish brought a few hundred dollars, and so they would have to get back into credit to hold them over the winter. In the past that worked because, as the manager of the store said, "The people had no other alternative."

Now they've started their own co-operative and they've literally taken over the river. It's a multi-million-dollar business now; they have about 300 fishermen - they've been quite successful.

The Problem Is We Don't Have Any Power
Of course, while I was working with them on getting the co-op group, we also rapped about other things. What they said was similar to what people in Noorvik used to say when I lived up there: The real problem is not the fact that we have poor housing or that we have health problems; the big problem is that we don't have any power, we feel manipulated. We know that we don't really have control over whether a house is going to be built this way or that way, but we don't know how to combat it, we don't know how the hell to have any input.

At the Juneau, Anchorage, Washington level, they don't realize that people understand when they are being manipulated... understand that they don't really have very many choices. They are simply not in a position to do anything about it; they don't have access to information.

Film as Process - The Fogo Experience
In the meantime I met Don Snowden who was the director of the Extension Service at Memorial University in Newfoundland, and he told me about a process of using film, and eventually videotape, that was developed by Colin Low for the Challenge for Change program at the National Film Board. It was a combination of the film-maker and his skills, and the community organizer. They developed this process and it was used quite successfully in Newfoundland.

So everything just fell into place at that point - it seemed right in line with what I'd been thinking about. I had done some experimenting with videotape, but nothing in a very formal way. So, with some help from Don Snowden and Colin Low and others, the Office of Economic Opportunity was persuaded to fund an experiment in the use of media. It wasn't a program that was put together and shipped off as a package to a village. It grew out of the village... people talking about different things they'd like to do.

Just People Talking

So the first part of this process is just people talking, and we use half-inch portable video units for the first phase of this, mainly because, unlike films, people can control them immediately. It takes about an hour to learn how to use a video unit; it provides immediate feedback; there's no processing involved. You are screening yourself while the act is still fresh in your memory - as soon as you stop, you can look at yourself. It's also portable, it's battery operated, people can take it any place they want to, out in a fish camp or anywhere else. VTR is used

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to build the momentum of community discussions. It's glamorous enough so that everybody in the community comes and screens themselves and screens their relatives. These screenings go on over an extended period of time.

Bring the Factions Together

This is very important because Eskimo communities, just like a community in Anchorage or anyplace else, are not homogeneous groupings of happy people who love each other. There's a lot of factionalism in Emmonak. You have the Black River people, the Tundra people and the Yukon people, and there isn't that much communication among the different groups. So, first of all, it brings these groups together. Also, in a vertical fashion, it brings together the old people and the younger people in the community. Everybody comes to these meetings, and they start reacting to themselves in a very strong way. The image itself forces a safe kind of reaction that face-to-face confrontation wouldn't at that point. Eventually, through these screenings and discussions, the people actually get to the point where they start seeing if there is a consensus on different issues, such as education or housing.

Need to Take the Time

This period of using video to bring the community together and build a consensus on some of the key issues is very important, and it has to be given enough time. The first year we began Skyriver, I had to return two-thirds of our funds to the funding agency, because I refused to rush the process and bring in the filmmakers too soon.

The Village Selects the Organizer

When the time was ripe they selected an individual from the village to act as the organizer on the long haul and do the interviewing in the films.

I think that that's a very important point in our program. In order for the process to really work, the organizer has to be committed in a way that an outsider never can. He has to have a stake in it that only the residents of the community can have. As an outsider I could never have it, however much I could identify intellectually or emotionally with the people. I can feel bad if it doesn't work but I can just go back to Anchorage and forget about it. Raymond Waska, who was selected by the people of Emmonak, can't do that. His relationship to the process will be much more effective than mine, and he has rapidly developed his community development skills.

The Village Selects the Spokesmen

Now at the point when they reach a consensus on a problem, an individual or a group of individuals is selected from the community. These are respected opinion leaders chosen as spokesmen.

Again this contrasts with the "play boss" kind of a thing.* They end up identifying the people in the community they really respect. As example, Frank Kamaroff, who is interviewed in the housing film, is the most powerful individual in the Kamaroff extended family, the most powerful family in the Lower Yukon. But he's not a guy that an official would ever meet, he's not on a Council or anything.

Film Is More Powerful

Up to this point in the process, it's been videotape and discussions. Now a film crew comes in at the request of the community and works under Ray Waska. We use film here mainly because I have found that the film medium is much more powerful when you're dealing outside the immediate community, whether between other communities or with government decision-makers.

*See page 15 column 1



Before the interview takes place, in order to avoid leading questions or introducing your own bias, the person being interviewed provides a rough sketch of what he wants to say. It's the interviewer's job to bring that out.

Who Controls the Interview?

The interviewee decides where the interview is going to take place, within technical limitations (if there's a big wind or something you have to do it inside.) He decides in what language he's going to do it. He may want to do it in his own language, which a number of people do. So if you're providing an environment, a situation which the person controls, he can communicate in a very comfortable way



... unlike a meeting held with government officials.

A Solution Is Offered

Next in the process, the spokesman offers a solution. For the first time a local person offers a solution - and it's expressed on a very powerful medium, film.

Film is good in an organizational sense also, because it takes a couple of weeks after the interview for the film to be processed and the double-system projector brought in for a screening. This gives people time to think over what they have said. If you produce a 15 or 20 minute videotape instead, the tendency is to want

to use it right away whether the community's ready or not. Film slows the process down at this crucial point, gives people a chance to think things over.

Who Controls the Viewing?

I'd like to mention here that, after the interview, the person interviewed signs a pre-release agreement. We are very purist about this. The pre-release agreement says that no one else can see the film until he has screened it and edited it and signed his written approval. He screens the uncut footage in private behind closed doors.

Usually the first time a person sees himself on film he's just flabbergasted - "There I am on film!" People in the villages probably see more films than any other group in the world that I know of. It's just incredible... they see at the very least a feature film a week. But seeing themselves on film is a shocker.

Who Controls the Editing?

The film is shown to the person concerned a number of times, so that he can get beyond the shock of seeing himself and can start listening to what he's saying. Now, at that point, if there's anything that he wants to delete, it's edited right in front of him. He can actually take the splicer himself if he wants to, and the unwanted footage is just thrown away. Perhaps he has mentioned a politician by name and says, "Oh that's too strong, we'll just cut that out." He'll do it, right then.

Also at that time the film crew is present in case the individual decides to add to his statement. He may say, "Ah nuts, I could have said it much better. I should have added to it." Well he can, at that time. So eventually he puts together a fair representation of his view on the issue.

The Film Generates Discussion in the Village

Once he gets to that point, he signs a written release, which allows it to be seen by other people in the community. The film now includes this new element - a solution has been suggested. The film is then used to provoke discussion and reaction in the community. It goes back to the general community a number of times over a period of weeks.

The screenings are incorporated in the people's lifestyle. The village screening phase is carried out between January and April, which is the time when things slow down and people visit each other. It's not done in summer when people are commercial fishing and fire fighting, or in the fall when they're hunting, or in the late spring when they're getting ready to go fishing again.